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Bank Profits and Prosperity

By GEORGE WARE*

Chairman of Board and President, First Nat'l Bank, Leesburg, Fla.

Says Increased Profits of Banks in War Time Merely Reflect Increased Prosperity of Depositors. Approves Treasury's Policy to Shorten the Term and Reduce Interest Rate on Its New Bonds Purchased by Banks as Well as the Restrictions Against Bank Purchases of Bonds of the "E" Type.

G. G. Ware

Banks are making money at a much faster rate than they made money just a short time ago, in the depression years. Banks are handling larger transactions at lower rates—rendering better, faster service—selling 80% of the Nation's War Bonds without direct compensation for the job or reimbursement for the necessary expenses connected with the sales and the sales promotion—they are handling the ration coupon accounts with

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*Reprinted from "Straws in the Wind," published by the First National Bank of Leesburg, Florida, June 29, 1945.

(Continued on page 427)

Index of Regular Features on page 432.

The Political Outlook

By MELCHIOR PALYI

Asserting That in Reality, Mr. Roosevelt Was Not Totally to the "Left" and That Mr. Truman, Less So Is to "the Right," Mr. Palyi Maintains That the Difference Between the Old and the New Democratic Administration Is That the Former Could Afford to Act Independently of Congress, While Mr. Truman Has to Avoid Antagonizing His Party. Points to President Truman's Action in Advocating Rise in the Unemployment Dole to $25 Weekly, in Promoting Federal Guarantee of Loans and His Support of the Murray-Dingell Bill for Vast Public Works as Evidence That There Is No Change in Spending Policy. Attacks the Bretton Woods Policy of "Creating Employment at Home by Spending Abroad."

The Race Problem

The leading negro newspaper in the country, the liberal "Pittsburgh Courier," wrote about President Roosevelt on April 25:

Dr. Melchior Palyi

"The general trend of his administration was toward centralization of control of national economy through the various alphabetical agencies with the announced objective of ending unemployment, poverty and want. When the war economy got under way — under the euphemism of defense measures—there were more people actually unemployed than there were when Mr. Roosevelt entered the White House. Decreases in poverty and want were brought about by gigantic Federal financing of 'made' work at public expense, resulting in a staggering national debt, now greatly increased by war expenditures

(Continued on page 431)

Reconversion Tax-Reducing Provisions

By ROY BLOUGH*

Assistant to the Secretary of the Treasury

Limiting His Discussion to Tax-Reducing Provisions Under Existing Laws, Dr. Blough Explains the Carryback Provisions and the Post-War Credits of the Excess Profits Taxes, Maintaining That These Provisions Were Adopted to Take Care of Certain Costs Incident to Earning Wartime Income and to Post-War Reconversion. Says the Carryback Sections of Excess Profits Tax Are to Be Used Primarily for (1) Reconversion Costs; (2) Deferred Maintenance; (3) Dismissal Compensation Costs, and (4) Post-War Declines in Value of Inventories. Lauds "Speed Up" Provisions of 1945 Tax Adjustment Act and Estimates That Carryback and Post-War Refund Provisions Will Cost Treasury $5.5 Billions.

I. Introduction

Roy Blough

I am glad to have an opportunity to participate in the Post-War Educational Program being conducted by the Chicago Board of Commerce. I am particularly happy to be able to talk to you about some features of the tax law which will be helpful to many of you during the coming months. Usually, in discussing taxes with businessmen, I feel obliged to draw upon all of the arts of salesmanship in demonstrating the reasonableness of and

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*An address by Dr. Blough before the Chicago Association of Commerce, Chicago, Ill., July 24, 1945.

(Continued on page 422)

Official Analysis of Margin Rules As Applied to Loans to Dealers

NEW YORK RESERVE BANK OFFICIAL RESOLVES MISINTERPRETATION OF NEW REGULATIONS.

Secretary of Federal Reserve Bank of New York Explains Margin Restrictions Relating to Unlisted Stocks and Calls Attention to Misinterpretation in Dr. Sakolski's Article, "Margin for Error." Dr. Sakolski Replies, Holding That the Misinterpretation Does Not Alter Effects of the Regulations.

Editor, Commercial and Financial Chronicle:

I have read with interest the article entitled "Margin for Error," by A. M. Sakolski, in the July 19 issue of The Commercial and Financial Chronicle, and have noted your invitation for comments on the views expressed by Dr. Sakolski in the article.

In the first sentence of his article Dr. Sakolski states " . . . the Board of Governors of the Federal Reserve System on July 5 issued new margin regulations, which, in effect, require, among other things, dealers and specialists in unlisted securities to furnish collateral of not less than 75% of the market value on their borrowings from the banks." I believe that this statement is based on a misunderstanding of the Board's Regulation U, which applies to loans by banks.

As indicated in the first paragraph of Section 1 of Regulation U, a loan is not subject to the regulation unless the loan is

(a) for the purpose of pur-

(Continued on page 410)

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The San Francisco Charter

By HERBERT HOOVER*

Urging That the Charter Be Ratified, Mr. Hoover Points Out That Its Major Strength Is That It Provides for Continuous Meetings of Nations. Says Its Weakness Lies in That It Contains Merely a Suggestion of a Bill of Rights for Nations and Men and Does Not Recover the Principles of the Atlantic Charter. Holds Charter Merely Has Power to Stop Military Aggression of Small Nations or Stop Aggression Through Propaganda and Fifth Columns. Holds Power of Our Delegates Should Be Defined, That Congress Should Never Part With Its Power to Make War, and That Peace Rests Upon Continued Collaboration of "Big Three."

I have received a multitude of requests from members of Congress, the press and individuals for my views upon the San Francisco Charter and the progress of peacemaking. Views are of value only if they are explicit and objective in analysis.

Herbert Hoover

Charter Should Be Ratified

The San Francisco Charter is far better than Dumbarton Oaks and is probably as good as could be obtained under the existing emotions, the present governments, and the conflicting ideals and ambitions in the world. It should be ratified by the Senate.

Charter Will Not Alone Assure Lasting Peace

The American people should be under no illusions that the Charter assures lasting peace. The Charter at best consists only of an expression of desire and machinery to preserve peace. The problem of enduring peace is far wider than the Charter. The foundations of lasting peace must also be laid in the economic and political settlements among nations by which this war is to be liquidated. The nature of these settlements will have more to do with lasting peace than the Charter.

The Strength of the Charter

The major strength of the Charter is that it provides for continuous meetings of the nations where peace problems can be discussed. It stimulates the

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*Radio address by Ex-President Hoover over the network of the Columbia Broadcasting System, July 18, 1945.

(Continued on page 413)

Green Offers Program To Reduce Strikes

A. F. of L. President Wants (1) Free Collective Bargaining Restored, (2) Raising of Minimum Wage Levels and (3) Minimum Unemployment Compensation of $25 Weekly.

Asserting that there was a "growing unrest among American workers," William Green, President of the American Federation of Labor, in a radio broadcast over the American Broadcasting network on July 14, offered a three-point program to reduce strikes to a minimum.

William Green

"Recently the newspapers again have blossomed with stories about strikes," Mr. Green began. 'Headlines last week told us with a great deal of emphasis that 50,000 workers had quit their jobs. But, strangely enough, not a word was said about the 50,000,000 workers who remained faithfully at their tasks. That, apparently, was not news."

"I want to assure the American people," he continued, "that the American Federation of Labor is completely sincere in its no-strike pledge for the duration of the war. Until Japan surrenders we will not excuse or condone or sanction any strike for any cause. We are proud of the fact that only a small percentage of those engaged in strikes at this time, or at any time during the war, have been A. F. of L. members. In

(Continued on page 409)

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Gerald Nielsen With Francis I. duPont

The New York Stock Exchange firm of Francis I. duPont & Co., 1 Wall Street, New York City, announces that Gerald B. Nielsen has become associated with the firm in its foreign department. Mr. Nielsen was formerly manager of the Overseas and Servicemen's Department of Merrill Lynch, Pierce, Fenner & Beane.

Bosworth, Patton and Schewe Elected to Chgo. S. E. Membership

Arthur H. Bosworth of Denver, Colo., President of Bosworth, Chanute, Loughridge & Co., Francis F. Patton of Chicago, Vice-President of A. G. Becker & Co., Inc., and Karl H. Schewe of Chicago, were elected to membership in the Chicago Stock Exchange by the Board of Governors, it was announced on July 19. With the election of Mr. Bosworth and Mr. Patton to membership, Bosworth, Chanute, Loughridge & Co., and A. G. Becker & Co., Inc., become the 26th and 27th member corporations of the Exchange, respectively. Bosworth, Chanute, Loughridge & Co., is the fifth investment dealer in the City of Denver, Colo., to become a member of the Exchange.

G. C. Frame Is With Corbrey in Los Angeles

LOS ANGELES, CALIF.—Gene C. Frame has become associated with Carter H. Corbrey & Co., 60 South Spring St. Until recently he was with Cruttenden Co., in their Los Angeles office, and prior thereto was with Bankamerica Co.

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On Untrammeled Voting

NASD By-Law Amendments Providing for Registration of Employees, Traders, Etc., Passed. Safeguards Contained in Article IX Ignored. Current Result Pressured By Activities of Officials. Failure to Preserve Secrecy of Ballot Constitutes Disservice. Enforcement Will Create Troublesome Problem.

The home office of the National Association of Securities Dealers today issued a release certifying that the amendments to its by-laws providing for the registration of partners, officers and employees of Association members passed by a vote of 1,022 approving and 605 disapproving. They become effective Oct. 1, 1945.

We now address ourselves to the proposition that the voting which has taken place was marked by official interference.

The Executive Director and officials of the Association connected with the poll pursued anything but a hands-off policy. A definite and concerted effort was made to influence the result by soliciting member firms to approve the amendments.

We quote verbatim Article IX of the By-Laws dealing with the subject of amendments:

> "Any member of the Board of Governors by resolution, any District Committee by resolution, or any 25 members of the Corporation by petition signed by such members, may propose additions, alterations, or amendments to the by-laws. Every proposed addition, alteration or amendments shall be presented in writing to the Board of Governors and a record kept thereof. The Board of Governors shall first pass on all proposed additions, alterations or amendments to the by-laws, and may adopt any proposed addition, alteration or amendment by a majority vote of all of its members. The Board of Governors, upon adoption of any such addition, alteration or amendments to the by-laws, except as provided in Section 1 of Article III hereof, shall forthwith cause a copy thereof to be sent to each member of the Corporation to be voted upon. If such addition, alteration or amendment to the by-laws is approved by a majority of the members voting, **provided, however, that a majority of all of the members have voted,** within 30 days after the date of submission to the membership, and are not disapproved by the Commission as provided in Section 15A of the Act, it shall become effective as at such date as the Board of Governors may prescribe."

In view of what we have learned during the course of the poll we are convinced that let alone and uninfluenced by official representatives, a majority of all the members would not have voted on the proposed amendments in question, and therefore, these would have failed of passage.

(Continued on page 428)

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V-J Day—Its Probable Effect on Business and Security Prices

Writer Believes That if War Ends Suddenly or Soon There May Be Increased Temporary Unemployment and a Reversal of Prevailing Stock Market Trends, but With a Longer War, With Reconversion Steadily Getting Under Way, the Unemployed Would Be Absorbed More Readily by Peace Time Industry and Inroads Would Be Made in Pent-Up Civilian Demand, Due to Reduced Backlogs Accruing During War Period, and Peace Would Not Greatly Affect Stock Market Trend.

Leslie H. Bradshaw
Editor
"Investment Timing"

In the midst of rumors and peace scares regarding the allegedly imminent end of the war with Japan, we, having no actual military knowledge or ability at such prognostications, do not feel justified in proffering any predictions as to the date when the ending of war may be expected.

But it is possible to conjecture the possible economic and financial effects of the fateful day when it arrives.

EFFECTS IN GENERAL

Generally speaking, we believe that if the war ends suddenly and soon, there may be uncertainty reflected in increased unemployment. If stock prices were higher than the present levels, and the current trend were up, we would expect a reversal of such a trend. Conversely, if prices were lower than those prevailing now, and the current trend were downward, we would expect the downtrend to be reversed.

With a longer war (perhaps concluding by the end of this year or by early spring next year) accompanied by growing evidence of approaching termination and reconversion steadily getting un-

(Continued on page 416)

Sees Little Easing Of Business Problems

Gen. Ayres Points to Difficulties in Transport, Inflation Threats, Faults in Controls and Rising Labor Costs. Says We Are Beginning to Realize What a Planned Economy Is Like. Holds Stock Prices Are High.

Leonard P. Ayres

In the recent issue of "The Business Bulletin," issued by the Cleveland Trust Co. and edited by Brig. Gen. Leonard P. Ayres, the outlook for the second half of 1945 is analyzed, and the conclusion is arrived at "that the victorious ending of one of our two great wars is going to change our business problems considerably, while easing them very little."

"Clearly our transportation difficulties are going to be a good deal more serious than they have been heretofore," says General Ayres. "Business trips are becoming most difficult, and in many instances nearly impossible. The shipping of goods has not yet become equally hard to arrange, but before the end of the year military freight traffic will increasingly interfere with civilian traffic.

"Everything connected with automotive traffic is beset with increasing difficulties, with the single exception that gasoline quotas have been somewhat increased. There are real shortages of coal which could easily become serious. Food rationing is operating very badly, especially in the larger cities. The recent inability of President Truman to purchase three white shirts amusingly illustrates the shortages of goods in most stores. Production

(Continued on page 425)

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Competitive Bidding Comments

The following are some additional comments received in connection with our request for expressions of views regarding the subject of competitive bidding. They are part of the large number of letters already received from firms in all parts of the country, some of which were given in our issues of July 12 and July 19, starting on the fourth page in each instance. Our invitation for comments on the subject still holds and we would ask that correspondence be addressed to Editor, "Commercial and Financial Chronicle," 25 Park Place, New York 8, N. Y. Naturally, the volume given in any one issue will be subject to space limitations, although all of them will eventually appear in print. **We again call attention to the fact that in no instance will the identity of the correspondent be revealed where a specific request to that effect is made.**

* * * *

ALBERT HALE
Albert Hale & Co., Boston

I have never been in favor of the government's determining the method by which a corporation should borrow its money, provided its methods were both legal and ethical. I cannot see why this subject should not be left to the discretion of the management of the corporation in question. There are certainly times when a corporation can borrow to advantage by dealing directly with the lender and, of course, there are other occasions when the competitive method is the better. It seems to me fair to assume that any corporation, certainly one of any substantial size, is familiar with current credit conditions and that it will use those methods which it believes are to its advantage, meaning thereby, to the advantage of the owners or shareholders. If it appears that improper methods have been used, then the shareholders have a good case against the company which should not need the assistance of government regulations.

I am confident from many years experience and observation that there are cases where the insistence on competitive bidding has resulted to the disadvantage of the borrower. It is my belief that all kinds of business should be left, as far as possible, to carry on without government interference. There are always the courts as a refuge for aggrieved shareholders and I cannot believe that the business methods of financial institutions and brokers or investment dealers are any more subject to criticism than those of other kinds of business. But it seems as though the government had a mania for regulating all branches of the financial or investment business.

* * * *

A CINCINNATI, OHIO DEALER

The proponents of competitive bidding are the houses who though relatively small, deal directly with the retail customer in their respective communities. The opponents of the competitive system are the large, so-called underwriting houses concentrated almost 100% in New York City. They have the big capital, the big connections, and the big head.

(Continued on page 426)

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Louis Lebenthal Heads Municipal Committee of N. Y. Dealers Ass'n

The Board of Governors of the New York Security Dealers Association have designated Louis S. Lebenthal, of Lebenthal & Co., specialists in odd lots of Municipal Bonds, to head a Committee as its Chairman and to be known as The Municipal Bond Committee, to bring into the membership of the Association certain Broker-Dealers in Municipal Bonds, whose high standing in the business will add considerably to the high standing and prestige of the Association.

Louis S. Lebenthal

When his firm was first established, Mr. Lebenthal perceived that there was a substantial spread between the Bid and Asked prices for round lots of Municipals as opposed to odd-lots (less than $10,000 par value) of the same securities. He saw that the odd-lot purchaser was unduly penalized because of the lack of an active market. He accordingly set up a clearing house for odd-lots which soon became extremely and progressively active. Largely because of his pioneering work, the spread between odd and round-lots of Municipal bonds has been greatly narrowed.

In a statement yesterday, Mr. Lebenthal said, "I regard the New York Security Dealers Association's Municipal Bond Committee as extremely important in the coming period of huge Municipal financing. As Municipalities compete with each other for money, labor and materials to advance the projects which have been held in abeyance by wartime conditions, it will be vitally important that the Committee keep a watchful eye on developing conditions in the Municipal bond field. There is no reason why this financing cannot be done both expeditiously and safely."

Mr. Lebenthal is generally and highly regarded in the "Street" and elsewhere as a leading authority on Municipal Bonds and, among other things, is the author of a standard reference book on the subject, known as the "A.B.C. of Municipal Bonds", which is one of the most comprehensive and authoritative books on that subject yet written.

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Senate Approves Bretton Woods Monetary Plan

By Vote of 61 to 16, It Passes Measure With but Minor Amendments, Which House Subsequently Ratifies

As was expected, the Senate, after rejecting several amendments offered by Senator Taft (R., Ohio) and Senator Thomas (D., Okla.) passed by a vote of 61 to 16 the bill approving the Bretton Woods proposals. The measure had been previously adopted by the House of Representatives. The Senate made a few minor amendments to the enabling act, but these were in the form of corrections, and were subsequently ratified by the House. The measure now goes to the White House for the President's signature.

Thus the United States is the first of the 44 signatory nations to ratify the Bretton Woods Agreements. Senator Taft, who led the opposition on the Senate floor, endeavored to have an amendment attached to the bill which would prevent any nation from making use of the International Monetary Fund until it had removed all exchange restrictions on current transactions as listed in Article VIII of the International Fund Agreement.

Senator Tobey (N.H.), one of the principal Republican supporters of the measure, objected to this on the ground that it would "hamstring" the whole organization. Senator Thomas (D., Okla.), proposed an amendment that would require the Treasury to coin a 35 dollar gold piece (containing an ounce of gold) but this with several other amendments placing restrictions on the Fund were voted down. Senator Thomas withdrew a proposal he had previously made, which would have directed part payment in silver of the United States quota contribution to the International Fund.

The vote on the bill, as compiled by the Associated Press, follows:

FOR THE BILL—61

Democrats—41

Andrews	Hill	Mitchell
Barkley	Hoey	Murdock
Bilbo	Johnson, Col.	Murray
Briggs	Johnston	Myers
Byrd	Kilgore	O'Mahoney
Chandler	Lucas	Radcliffe
Chavez	Magnuson	Russell
Downey	Maybank	Stewart
Eastland	McCarran	Taylor
Ellender	McLellan	Thomas, Okla.
Fullbright	McFarland	Tunnell
George	McKellar	Wagner
Guffey	McMahon	Walsh
Hatch	Mead	

Republicans—19

Aiken	Donnell	Vandenberg
Austin	Ferguson	White
Ball	Hickenlooper	Wiley
Buck	Morse	Willis
Burton	Saltonstall	Young
Capehart	Smith	
Cordon	Tobey	

Progressive—1

La Follette

AGAINST THE BILL—16

Democrats—2

O'Daniel	Wheeler

Republicans—14

Brooks	Hart	Revercombe
Bushfield	Hawkes	Robertson
Butler	Langer	Taft
Capper	Millkin	Wherry
Gurney	Moore	

The following pairs were announced: Bailey, Democrat, for, and Johnson (Calif), Republican, against; Tydings, Democrat, for, and Shipstead, Republican, against; Bankhead, Democrat, for, and Thomas (Idaho), Republican, against.

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Securities Dealers Of Illinois Elect

CHICAGO, ILL. — Walter R. Brailsford, of Brailsford & Co., has been elected President of the Illinois Securities Dealers' Association, for the 1945-46 term, it is announced. Owen V. Van Camp, of Enyard, Van Camp & Co., Inc., Chicago, has been elected Vice-President, Paul Kimball, of Sills, Minton & Co., Inc., was elected Secretary, and Wilbur A. Gorman, of Link, Gorman & Co., Inc., was named Treasurer.

Directors elected for one-year terms included William H. Flentye, Wm. H. Flentye & Co., Aurora; Fred H. Mason, Mason, Moran & Co., and Robert Strauss, Strauss Bros., Chicago; Paul E. Conrads, King & Conrads, Rockford, and W. G. Stien, Standard Bond & Share Co., Rock Island.

Directors elected for two-year terms included Joseph Blosser, Straus & Blosser; Walter Merriam, Patterson, Copeland & Kendall, and James O'Connor, Doyle, O'Connor & Co., Chicago; S. A. Sandeen, S. A. Sandeen & Co., Rockford, and Herbert B. White, Peoria.

Committees named for the new year include:

Membership, Daniel F. Comstock, Comstock & Co., Chicago, Chairman; Boyd Easton, Rockford, and Hubert S. Conover, Brailsford & Co., Chicago.

Public Relations, Walter R. Brailsford, Chairman and member ex officio; Fred H. Mason; Ward W. Dayton, Holley, Dayton & Gernan, Chicago; David L. Heath, Heath & Co., Elgin; J. P. Blaney, J. P. Blaney & Co., Chicago, and John F. Bolger, Shillinglaw, Bolger & Co., Chicago.

State Legislation, H. D. MacFarlane, Alfred O'Gara & Co., Chicago, Chairman; Walter R. Brailsford, member ex officio, and J. D. Blosser; Paul Kimball, Sills, Minton & Co., Chicago; Herbert B. White, and Joseph Dempsey, Dempsey & Co., Chicago.

Federal Legislation, H. D. MacFarlane, Chairman; Walter R. Brailsford, member ex officio; J. D. Blosser; Paul Kimball; A. S. Grossman, Straus & Blosser, Chicago, and Joseph Dempsey.

Grievance, Owen V. Van Camp, Enyart, Van Camp & Co., Chicago, Chairman; Edgar A. Peck; C. S. Brown, C. S. Brown & Co., Chicago; Paul E. Conrads, and Burney J. Simpson, Webber, Simpson & Co., Chicago.

Educational, S. A. Sandeen, Chairman; Walter Merriam; W. G. Stein; David L. Shillinglaw, Shillinglaw, Bolger & Co., Chicago, and Robert Strauss.

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Public Utility Securities

Electric Power & Light's Report

Electric Power & Light common recently attracted special interest in the utility group, advancing (against the downward trend of the market) from 10 to 13, following an earlier advance from 3⅞ to 10. The more recent advance appeared to be due to several factors: (1) firmness in the utility group generally; (2) a study prepared by Robert Shadoan of Argus Research Corp. estimating a potential future value for the stock of 25-32; and (3) the belated appearance of Electric Power's annual report for 1944.

The report was smartly dressed up as compared with previous reports, both in style and content, and contained some favorable surprises for stockholders. In 1943 only 20 cents a share consolidated earnings had been reported for the common stock, and for the latest interim figure for the 12 months ended Nov. 30 58 cents had been reported. For the calendar year, however, the report revealed earnings of $1.03 per share; in the final quarter net income was $3,589,408 compared with $451,569, and for the year amounted to $9,200,616 vs. $6,335,303 (these figures are before preferred dividend requirements).

The erratic character of these earnings appears due largely to special adjustments and charge-offs. While industrial companies are accustomed to charging non-recurring items to surplus rather than to current income, the current SEC philosophy appears to be that these adjustments should be charged directly to income, along with interest charges. Thus the total "fixed charges" of some of the holding companies may include a substantial amount of special and non-recurring charges which are merely paper adjustments and do not reflect cash expenditures. To the extent that these items are not explained to stockholders, they tend to understate the earnings. Electric Power & Light is a good illustration. In 1943 such items amounted to about $2,585,000, and in 1944 to $1,924,000 (equivalent to 75 cents and 55 cents a share, respectively, on the common stock). The decrease in this item in the last quarter, which accounted for the sudden jump in net income, was due to a 1943 year-end charge-off of $1,300.000 resulting from the sale of White River Power, representing an undeveloped power site—an item normally chargeable to surplus.

The management did stockholders a big service in the "Highlights of 1944" (pages 2-3 of the report) in giving a statement of the refunding and recapitalization savings accomplished in 1944. Annual interest and preferred dividends requirements for the system were reduced by $6,288,000, of which, however, only about $500,000 was reflected in 1944 operations. Some of these savings would be lost in increased taxes so that (assuming that the system is in the EPT bracket, which is not clearly indicated) the net saving would be only about $4,000,000. The report states that only about $500,000 of the savings were reflected in 1944 earnings, but no mention is made of the offsetting taxes; assuming these were not deducted from the 1944 savings, the gain in net for 1945 should exceed $3,500,000 or more than $1 a share on the common stock.

Thus the pro-forma earnings on the common stock in 1944 apparently approximated $2, and if special charge-offs (now mixed with interest charges) could be credited back the figure would be increased by 55 cents (unless there were offsetting tax savings). Obviously, without complete tax information no accurate pro forma figure is obtainable but a $2 estimate appears conservative.

Such earnings, of course, don't take into account the huge arrears on preferred stocks. However, the figure could logically be increased in the post-war period by additional refunding savings, EPT savings (which can't be estimated from available data), etc. There might, of course, be some losses due to rate cuts, industrial reconversion, etc. The major problem, of course, is how much of the potential earning power must be given up to satisfy the arrears on the preferred stock (regular preferred dividends have, of course, already been deducted).

The study prepared by Argus Research estimates that sale of the two Dallas properties and the small amount to be received for Utah P. & L. common, plus estimated 1945 year-end cash, would retire all the debentures at call price and leave a balance of $6,395,000. United Gas stock is valued at $135,000,000, based on the recent market price of 13½, and the "New Southern System" (New Orleans, Louisiana, Arkansas, and Mississippi) is appraised at $68,500,000, based on estmated 1945 net earnings capitalized at 13½ times. The total approximates $210,000,000. Argus then assumes that the SEC, in line with previous recap reasoning, will allow the preferred only about one-half of the dividend arrears or $35,000,000; including par value, the claim would total $119,511,922. This claim could be satisfied by distributing only 8,800,000 shares of United Gas, leaving EL with 1,308,101 shares, or about 38/100ths of a share for each share of EL. On this basis Argus estimates the potential value of EL at 25. If EL were permitted to retain United Gas (which appears unlikely in view of the Columbia Gas precedent) Argus estimates a potential value around 32.

The Argus estimates appear rather startling considering the past price history of the stock (1942 low ⅝, this year's low was 3⅞, current price 11⅞). However, they may not be outside the realm of possibility, considering the radical change in the system earning-power disclosed by the annual report, and the present high price-earnings ratios for sound operating company equities.

Tomorrow's Markets Walter Whyte Says—

Market break on Jap-war end rumors finds price structure vulnerable. Dow theory calls for more reaction. Also indicates reversal in secondary trend.

By WALTER WHYTE

Last week this column said that August gave indications of being a fairly good month, though the rest of July would be given over to backing and filling, with occasional spillovers. It further added that based on this belief, the market would be a buy, if it weren't for certain qualifications.

* * *

I am aware that the word "qualifications" is one of those fence sitting things. If they don't go up they'll go down, if they don't go down, etc., etc. I've always distrustest this weasel technique feeling that the best answer, when you don't know, is to say just that. Yet one of the fears is the danger of news which cannot be foreseen, nevertheless, must be guarded against.

* * *

We have all read reams of stuff about reconversion plans. We have read the rosy

(Continued on Page 427)

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Canadian Funds in New York—Chart covering the period Jan. 1, 1919 to June, 1945, which records monthly high and low averages of the Canadian Dollar in terms of the United States Dollar—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Earning Power of Insured Commercial Banks—Their mounting deposits, the adequacy of their capital, and the effect on their earnings, current and prospective, of rising costs and falling interest rates—booklet—M. A. Schapiro & Co., Inc., 1 Wall Street, New York 5, N. Y.

Investors' Aid—Analysis of post-war prospects of various stock groups—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Investors' Almanac, July-September, 1945, with suggestions for stock switches—Estabrook & Co., 15 State Street, Boston, Mass., and 40 Wall Street, New York 5, N. Y.

Leading Banks and Trust Companies of New York—comparative figures as of June 30, 1945—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York Bank Stocks—Quarterly comparison and analysis of 19 New York Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York Curb Exchange Common Stocks With Long Dividend Records—Tabulated list—**Herbert E. Stern & Co.,** 30 Pine Street, New York 5, N. Y.

Notes and Comments—on current developments—Arthur Wiesenberger & Company, 61 Broadway, New York 6, N. Y.

Outlook for Cuban Sugar Industry—detailed study of the situation—H. Hentz & Co., Hanover Square, New York 4, N. Y.

Also available is an **Index of Research Reports** prepared in the second quarter by H. Hentz & Co.

Atlanta & West Point Railroad—Circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

Boston Terminal 3½s of 1947—Analytical report describing reorganization status and proposed plan—**Greene & Co.,** 37 Wall Street, New York 5, N. Y.

Chicago, Milwaukee, St. Paul & Pacific—Memo on reorganization developments—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available a memo of **ICC Monthly Comment on Transportation Statistics.**

Cleveland Cliffs Iron Co.—Study of interesting outlook—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available is a study of **Deep Rock Oil Corporation.**

Consolidated Cement Corp. Class A—Bulletin on recent de-

(Continued on page 428)

L. H. Bradshaw on Trip to England

Among the passengers on the "Queen Elizabeth" sailing for England is Leslie Havergal Bradshaw, editor of "Investment Timing," published weekly by the National Securities & Research Corporation, 120 Broadway, of which H. J. Simonson, Jr., is president.

Leslie H. Bradshaw
Editor
"Investment Timing"

Mr. Bradshaw goes on a month's trip to London and Paris, during which he will make for his company a first-hand survey of the present industrial requirements of Britain and France and the markets that may be expected to supply them. He will also confer with prominent bankers and investment men in those countries regarding the free release of funds and the future demand for American securities from the Continent.

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Railroad Securities

Missouri Pacific Refunding 5s

Announcement that the trustee of the Missouri Pacific would seek Court authority to pay out $18 million of interest and at the same time authority to call for payment on Nov. 1, 1945 the remaining St. Louis, Iron Mountain & Southern Railway Co. River & Gulf Division First Mortgage 4s, 1933, outstanding in the amount of $24,052,400, draws attention to the investment value of these refunding 5s.

There are five series of these refunding bonds, all sharing alike in the reorganization. Allocation differs slightly in each series, however, the difference being accounted for by varying interest dates. Average or mean allocation for the different series is as follows: Cash $72, First Mortgage 4s $400, Income "A" 4½s $280, Income "B" 5s $150, 5% Preferred 2.22 shares.

The allocation indicated above is that on the so-called compromise plan which differed materially from the original ICC plan approved some five years ago. However, as pointed out by the chairman of the old MOP Company last week, it seems unlikely that the present plan will be approved by security holders and that the Commission will ultimately authorize a new plan which will work out to the profit of the senior bondholders, since the refunding bonds for all intents and purposes will occupy a senior position in the mortgage hierarchy of the system, assuming payment of the Iron Mountains as requested.

Despite the fact that the present compromise plan is not likely to be consummated, nonetheless we shall indicate the severity of the proposed plan by pointing out that fixed interest system debt totaled $478.5 million whereas new system debt would be $193.5 million. If we were to include the Income bonds of the new company, fixed and contingent debt would be $352.6 million. Fixed charges would have been reduced from $23.1 million to $7.2 million and if we exclude Capital Fund and sinking funds, fixed and contingent charges would amount to $14.7 million.

It is of interest to note that full capitalization as currently authorized by the Commission, totals $560.4 million, whereas capitalization of the old system amounted to $644.7 million. Were the Hobbs Bill to pass in its present form as is thought likely in some quarters, then the new capitalization would have to be approximately that of the old system capitalization of $644.7 million which in turn would mean greater allocation to existing security holders. This would not benefit the Refunding 5s to any extent except in so far as some reallocation might result from release of the securities originally allocated to the Iron Mountains and subsequently should the RFC and RCC and bank loans be paid off, which together amount to $43 million, there would in that event be still greater allocation to the Refunding 5s. The Hobbs Bill would benefit the junior bondholders, particularly the General 4s, 1975 and the Convertible 5½s, 1949 rather than the refunding bonds.

The Missouri Pacific system has benefited substantially by the war, earnings available for charges on a consolidated basis rising from $13.1 million (1931-40 average) to $30.7 million in 1941, $66.4 million in 1942, $47.7 million in 1943 and $48.1 million in 1944. Earnings thus far in 1945 have been virtually equal to those of 1944 and for the full year there should be very little change. Average earnings for the past three or four years have covered the proposed fixed and contingent system charges of $14.66 million (eliminating Capital Fund and sinking funds) from 2 to 4½ times and there has been a large overflow to the junior securities, earnings on the preferred stock ranging from $20 to $77 per share.

Financial position of the MOP system has improved considerably during the war period, net current assets on a consolidated basis rising to $105.2 million as of April 30, 1945, representing a gain of over $90 million since the end of 1936. Since there was distributed $50 per $1,000 bond to the holders of these refunding bonds in 1943 and 1944 and since the compromise plan is dated January 1, 1943, there are no interest arrears to charge against this working capital of $105 million. The $18 million in interest payments requested by the trustee will eliminate possible interest arrearages unless under a new plan the excess working capital is utilized for a special cash payment comparable to that given bondholders in the St. Paul reorganization and as is being planned to be distributed in the Rock Island reorganization. This excess working capital can be estimated around $30 million after making due allowance for $24 million needed to retire the Iron Mountain 4s.

In considering these bonds one should not overlook the territorial growth of the Southwest and Texas in particular, an area served by the MOP system. A substantial number of war industries have been established in this area and are likely to be transformed into peacetime industries. Additionally, the Mexican treaty whereby the Rio Grande waters are used for irrigation purposes in the Brownsville area of Texas has already resulted in a consid-

(Continued on page 426)

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Real Estate Securities

Now that the real estate bond securities have come back to favor with the realization of their values and high yields, a "drying up" of supply has taken place. Weeks have sometimes gone by without an offering of any issue appearing in the market.

In view of this situation more attention is being given to the larger issues where dealers can secure bonds in the event of a retail interest.

A list of the larger real estate bond issues follows with a brief resume of the bonds:

Broadway Barclay 2's 1956—$6,234,200 issue secured by a first mortgage on land owned in fee and 44-story office building. Pays 2% fixed and more if earned. Operates sinking fund. Current price around 36.

Broadway Motors Building 4-6's 1948—$3,154,000 issue secured by a first mortgage on the leasehold interest of a 25-story office building, whose main tenant is General Motors. Pays 4% fixed and more if earned. Operates sinking fund. Current price around 78.

Broadway Trinity Place Corp. 3-4½'s 1963—$4,533,500 issue secured by a first mortgage on land owned in fee and 38-story office building at 39 Broadway. Bonds carry stock representing a share in the ownership of the property. Interest payable only if earned. Has been paying at the rate of 3% and operates a sinking fund. Current price around 60.

Brooklyn Fox Corporation 3's 1957—$2,825,000 junior mortgage subject to a prior liens of about $550,000 on a 12-story office building and a 4,060 seat theatre. Interest payable if earned. Payments in the last three years at rate of 2%. Current price around 44.

Chanin Building 4's 1945—$6,059,500 issue secured by a first mortgage on the leasehold interest in a 55-story office building. Pays 4% and extra if earned and operates a sinking fund. Earnings approximately 11%. Due to maturity a reorganization is in process. Current price around 73.

Equitable Office Building 5's 1952—$4,754,000 issue secured by a second mortgage on 40-story office building. Senior lien $16,167,620. In reorganization. Current price 83.

500 5th Avenue 6½'s 1949—$4,000,000 issue secured by a first mortgage on the leasehold interest in a 58-story office building. In reorganization. Current price 39.

40 Wall Street 5's 1966—$11,198,500 debenture issue of company owning 70-story office building and leasehold estate. Bonds carry stock representing share of this ownership. Pays interest if earned. (Current payments about 3%.) Operates sinking fund. Current price 68.

Fuller Building 2½-4s 1949—$4,712,000 first mortgage on land owned in fee and 40-story office building. Pays 2½% and more if earned. Current price 68½.

Hotel St. George 4's 1950—$7,770,907 first mortgage on land owned in fee and 2,050 room hotel. Pays 4% fixed and operates sinking fund. Current price 73.

London Terrace 3-4's 1952—$5,372,500 first mortgage on land owned in fee and two 18-story apartment houses. Pays 3% fixed and more if earned. Operates sinking fund. Current price 76.

New York Athletic Club 2-5's 1955—$4,548,600 first mortgage on land owned in fee and 22-story club. Also secured by property in Travers Island. Pays 2% and more if earned. Current price 36.

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The Current Market Reaction

Brokerage Firm Sees Current Downward Movement a Normal Secondary Reaction in a Bull Market

The market advanced without serious interruption from Sept. 14, 1944, until the end of May in the case of the industrials and until the end of June in the case of the rails. Using the Dow Jones Averages, the industrials in this period advanced from approximately 143 to 169 and the rails from 39 to 63. We believe the current downward movement is a normal secondary reaction in a bull market, and based on past experience it should retrace from ⅓ to ⅔ of the preceding rise.

Thus, the industrials may be expected to lose 9 to 18 points from their recent high of 169 and the rails 8 to 16 points. In the two preceding secondary reactions in the present bull market, these movements have tended to retrace the minimum of ⅓ rather than the maximum of ⅔.

Accordingly, we suggest that clients holding funds awaiting investment should begin their purchases when the industrials and the rails have jointly reacted to about 160 and 55, respectively.

We list herewith a number of issues which we regard as attractive for purchase in the event the reaction continues to the levels indicated.

Excellent Investment Quality

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—From memorandum issued by Newburger & Hano.

Issues Analysis of Bank Earnings

Morris A. Schapiro Says Banks Are Not Profiteering Because of War Emergency. Predicts Banks Will Become More Dependent on Investment Income Than Heretofore and Sees Danger of Low Interest Rates to Success of Small Banks.

The assertion that banks have profiteered at public expense during the war emergency cannot be supported by the record, and a close examination of statistics for all 13,268 insured commercial banks in the United States "shows that the economy with which these banks are serving the people and Treasury may in the long run prove too costly," according to "Earning Power of Insured Commercial Banks," written by Morris A. Schapiro and released by M. A. Schapiro & Co., Inc., 1 Wall Street, New York City.

In the five-year period ending with 1944, the report shows, total assets of insured commercial banks increased from $63,147 million to $134,613 million, with most of the increase accounted for by a gain of $60,328 million in holdings of United States Government obligations. Holdings of other securities were down $703 million, and loans and discounts were up $4,489 million.

Examination of operating figures, according to the report, shows that on the average the larger banks have lower costs, while banks with deposits of less than $50 million have relatively higher cost averages. The study adds that "the transition from peace to war was a far more serious problem for the country bank than for the large city bank. The liquidation of the more productive peacetime loans was a severe blow to the earnings of smaller banks."

Because of the uncertainty of loan income, and almost certain higher current operating expenses, the banks will become even more dependent on investment income than heretofore, says the report. Although reported net current operating earnings available for dividends amounted to $655 million last year, loan income fell to a point "where it no longer covers the expense of operating the banking system." The study shows loan income of $681 million against total interest earnings of $913 million required to break even.

Bank investments are seemingly moving in the direction of a 1.10% income basis, according to the study. The insured commercial banks as a group face the prospect of lower net current operating earnings unless there is an increase in the volume of investments sufficient to offset the decline in effective yield, and unless the banks further increase their service charges, the study continues.

"It is generally conceded that the volume of bank investments will continue to increase," says the report. "However . . . a 22% increase in total investments to $100 billion would fall short of offsetting the lower earnings resulting from a decline in yield to 1.10%.

"The great assembly of American banks is composed of many individual groups and classes, each fulfilling its separate function. In the aggregate these banks combine to make up this highly specialized and integrated system. Naturally, we cannot expect this essential service to continue indefinitely unless each of the various groups and classes of banks can operate profitably," according to the report.

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NSTA Notes

NSTA OFFICERS NOMINATED FOR 1945-1946

Joseph Petersen of Eckhardt, Petersen & Co., St. Louis, Chairman of the Nominating Committee of the National Security Traders Association, announced the selection of the following for officers of the National Security Traders Association for 1945-46: President, Thomas Graham, Bankers Bond Company, Louisville, Ky.; 1st Vice-President, R. Victor Mosley, Stroud & Co., Philadelphia; 2nd Vice-President, Harold Smith, Collin, Norton & Co., New York; Treasurer, Firmin Fusz, Fusz, Schmelzle & Co., St. Louis; Secretary, Edward H. Welch, Sincere & Co., Chicago.

Thomas Graham

R. V. Mosley

Harold B. Smith

Firmin D. Fusz, Jr.

Edward H. Welch

Election will be held August 30th at the National Committee Meeting, Mackinac, Michigan.

Other members of the Nominating Committee were J. W. Means, Atlanta, Ga.; Josef Phillips, Seattle, Wash.; Fred Barton, New York City; Elmer Longwell, Denver, Colorado.

NSTA ADVERTISING NOTES

"40 OVER 8"

Your advertising committee believes many of the members read these notes and they should appreciate the business done in this past week, as our slogan has been changed to remind you that we have passed our first landmark by over $2,000. This demonstration is most encouraging and with six weeks to go should result in a most satisfactory allotment for the treasury of the NSTA.

Joe C. Phillips, Pacific Northwest Co., our Seattle district chairman, is back from his vacation and has promised some real business from his section.

We are pleased to list below the number of ads contracted so far for the 1945 campaign:

Baltimore 5, Boston 3, Florida 4, Georgia 3, Tennessee 3, Detroit 13, Grand Rapids 3, Louisville 5, Cleveland 13, Cincinatti 3, New Orleans 7, Texas 3, St. Louis 13, Minneapolis 4, Chicago 17 and New York 41.

We shall be pleased to give you the revisions next week. K.I.M. "40 over 8."—Harold B. Smith, Chairman NSTA Advertising Committee, Collin, Norton & Co., New York, N. Y., A. W. Tryder, Vice-Chairman NSTA Advertising Committee, W. H. Newbold's Son & Co., Philadelphia.

BOND CLUB OF LOUISVILLE

The following officers were elected at the Annual Meeting of The Bond Club of Louisville held July 17th:

President: Berwyn T. Moore, Berwyn T. Moore & Co., Inc.
Vice-President: John D. Faison, The Bankers Bonds Co., Inc.
Treasurer: Urban J. Alexander, Urban J. Alexander Co., Inc.
National Committeeman: Thomas Graham, The Bankers Bond Co., Inc.
Alternate: Mrs. Ora M. Ferguson, Merrill Lynch, Pierce, Fenner & Beane.

Calendar of Coming Events

August 17, 1945—Bond Club of Denver Annual Frolic with Rocky Mountain Group of I. B. A. at Park Hill Country Club.

August 24, 1945—Cleveland Security Traders Association annual summer meeting at Manakiki Country Club.

August 28, 29 & 30, 1945—National Security Traders Association, Inc. annual business meeting and election of officers.

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Green Offers Program To Reduce Strikes

(Continued from page 402)

proof of that statement, let me cite the official figures of the Department of Labor, which show that only 28% of the time lost by strikes last year was attributable to workers who belong to American Federation of Labor unions. That figure is especially significant when you consider that the 7,000,000 members of the American Federation of Labor constitute more than half of the organized workers in the nation.

"But it would be a mistake for us to ignore the fact that current strikes are symptomatic of a growing unrest among American workers. This unrest results from concrete and painful causes.

"First, take-home wages have been sharply cut by reduced overtime. Second, many workers have lost their relatively well-paid jobs in war industries because of cutbacks, and the only new jobs available to them offer much lower wages. Third, the failure of the Government to act promptly in providing adequate unemployment compensation insurance has filled war workers with fear that they will be left stranded when the war ends.

"To correct this situation, the American Federation of Labor proposes that free collective bargaining be restored so that hourly wage rates may be lifted wherever no price increases will result. This will permit workers to meet high living costs without causing inflation.

"As a further step, we recommend that Congress permit minimum wage levels to be raised to 72 cents an hour in industry. This would provide a minimum wage of $28 a week before taxes. Certainly no American family can get along on less at present-day prices.

"Finally, we call upon Congress to enact without delay the unemployment compensation proposal urged by President Truman, under which the Federal Government will supplement State funds so that workers with families could receive as much as $25 a week in unemployment insurance of 26 weeks."

"I am confident that such action will reduce strikes to a minimum," Mr. Green concluded.

Now Partnership

DENVER, COLO. — Earl M. Scanlan has admitted Elizabeth S. Scanlan to partnership in Earl M. Scanlan & Co., Colorado National Bank Building. Mr. Scanlan was previously proprietor of the firm.

Kimball Co. in Miami

MIAMI, FLA.—C. J. Kimball & Co. has been formed with offices in the First National Bank Building, to engage in a securities business. Officers are C. J. Kimball, President; Gertrude Merker, Vice-President, and Nelle Fletcher, Secretary.

ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number ninety-seven of a series.*
SCHENLEY DISTILLERS CORP., NEW YORK

Leak Hunters

You've probably learned about some unusual jobs like the tea taster, coffee smeller, etc., and no doubt you've chuckled while you learned. Well, here is, perhaps, a new one—to you. Did you ever hear of a leak hunter? No, we don't mean a plumber. We're going to tell you about him, because a fine story about leak hunters recently appeared in the Schenley employees' magazine.

First of all a leak hunter's job is one of the most important in the distillery. He makes a daily tour of the warehouses where whiskey in fifty-gallon oak casks is quietly aging and mellowing, for years. He inspects the seams, the hoods and the staves of these casks, searching for leaks and for imperfections which might lead to leaks. Now let's see how important his job is.

A barrel has a capacity of fifty gallons of whiskey. These days, when Internal Revenue Tax is $9.00 per gallon, you can easily figure the loss incurred if the content of a barrel of whiskey is lost by leakage. Not only is the whiskey a dead loss, there is a loss also of $9.00 tax on each of the fifty gallons—minus some deduction. (The government allows a normal deduction of 22% of the tax for evaporation and shrinkage over a four year period.)

The leak hunter has an arduous task. He must not only find the leak but he must repair it with material which he carries. He is compelled to use a hammer in tight places where tiers of barrels are six high. There's just enough space between the barrels and between the tiers to permit proper circulation of air, and as he crawls along those barrels he wears a head lamp, like a coal miner—with the batteries on his back for safety sake. It takes time for a man to become adept at this type of work.

The leak hunter saves the distillery many thousands of dollars annually. So while you might get a smile out of this most unusual work, seriously speaking, *leak hunting* is no joke.

MARK MERIT
of SCHENLEY DISTILLERS CORP.

FREE — *Send a postcard or letter to Schenley Distillers Corp., 350 Fifth Ave., N. Y. 1, N. Y., and you will receive a booklet containing reprints of earlier articles on various subjects in this series.*

Stern Brothers Offer Varnish Co. Preferred

An underwriting syndicate headed by Stern Brothers & Co. on July 17 offered 50,000 shares of $3 prior preference stock, Series A (par $60) of Cook Paint & Varnish Co., subject with respect to 35,000 shares, to the company's exchange and subscription offer to holders of its presently outstanding Series A preferred stock. The price of the shares is $65 per share plus accrued dividend from June 1.

The company will apply part of the proceeds from the sale of the preferred stock to redeem on Sept. 1 at $65 per share and accrued dividend, all of the Class A $4 preferred that are unexchanged. The balance of the net proceeds will be added to the general funds, to be used for such operating and business purposes as opportunities present themselves.

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Members Chicago Stock Exchange
209 SO. LA SALLE ST., CHICAGO 4, ILL.
Telephone Dearborn 1421 Teletype CG 864

Official Analysis of Margin Rules As Applied to Loans to Dealers

(Continued from first page)

chasing or carrying any stock registered (listed) on a national securities exchange; *and*

(b) secured directly or indirectly by any stock, whether or not registered on a national securities exchange.

Accordingly, if a loan is for the purpose of purchasing or carrying bonds or unlisted stocks and is not for the purpose of purchasing or carrying listed stocks it is not subject to the regulation. On the other hand, if a loan is made for the purpose of purchasing securities, and listed stocks are included among the securities, the loan is subject to the regulation if it is secured by any stock. There are certain exceptions to the statement in the preceding sentence, for Section 2 of Regulation U specifically excepts from the operation of the regulation certain types of loans described in Section 2. It is unnecessary, however, to consider these exceptions at this time.

If a dealer in unlisted securities desires to obtain a loan from a bank for the purpose of purchasing or carrying unlisted stocks, unlisted bonds, or even listed bonds, the loan is not subject to the regulation and the bank may make the loan against such type and amount of collateral as the bank deems proper in its judgment under the circumstances. If the dealer purchases or carries listed and unlisted stocks and he arranges his bank borrowings so that the proceeds of a particular bank loan are used to purchase or carry listed stocks as well as unlisted stocks, it cannot be said that the loan is not for the purpose of purchasing or carrying listed stocks and, accordingly, the loan is subject to the regulation if it is secured by any stock. If, however, the dealer is careful to see that the proceeds of a particular loan are not used for the purpose of purchasing or carrying listed stocks and he keeps adequate records to substantiate this, the loan would not be regulated. For example, if a dealer borrows from two banks and he uses the proceeds of the loan by Bank A to pay for all listed stocks purchased or carried by him and he is careful to use the proceeds of the loan by Bank B to pay for bonds and unlisted stocks purchased or carried by him, the loan by Bank A would be subject to the regulation but the loan by Bank B would not. Bank B would, of course, require such collateral as it deemed appropriate to protect itself adequately under the circumstances.

A similar result would follow if all the borrowings of the dealer were effected at one bank provided two separate loans were made by the bank and care were taken by the dealer to see that the proceeds of one of the loans were not used for the purpose of purchasing or carrying listed stocks. Thus if the proceeds of loan No. 1 were placed in an account numbered 1 and the dealer were to draw on that account to pay for all listed stocks, and if the proceeds of loan No. 2 were placed in another account numbered 2 and the dealer were careful to see that he never drew on account No. 2 to pay for listed stocks purchased or carried by him, loan No. 1 would be subject to the regulation but loan No. 2 would not. Under Section 3(n) of Regulation U the bank would have to get as much collateral for loan No. 2 as it would require of the dealer if loan No. 1 had not been made and the collateral specifically pledged thereto were not held by the bank.

In view of the foregoing a dealer in unlisted securities, who is careful of the manner in which he conducts his business, is not required by Regulation U to furnish 75% margin to a bank to secure the dealer's borrowings for the purpose of purchasing or carrying bonds or unlisted stocks.

Very truly yours,
WILLIAM F. TREIBER,
Secretary, Federal Reserve Bank of New York.

July 23, 1945.

Theron D. Conrad Forms Own Firm in Sunbury

SUNBURY, PA. — Theron D. Conrad has formed Theron D. Conrad & Co., with offices at 46 North Fourth St. Partners of the new firm are Mr. Conrad, general partner; Walter Z. Conrad, Ira A. Eister, Irene K. Annis, and Jessie Edith Gulick, limited partners.

Mr. Theron Conrad was formerly Sunbury manager for J. Arthur Warner & Co., with which Miss Annis and Miss Gulick were also associated.

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Dr. Sakolski Cites Difficulty in Determining Status of Securities for Loan Purposes

Admits Misinterpreting Reserve Board Amendments, but Contends That Language Contained Therein Is Susceptible to Divergent Conclusions and Also Appears to Be Contradictory. Holds Dealers in Unlisted Stocks, in Practice, Will Be Affected by New Margin Requirements.

Editor, Commercial and Financial Chronicle:

Referring to the letter of Mr. Treiber, Secretary of the Federal Reserve Bank of New York, dated July 23, I must now admit the misinterpretation of the new margin regulations of the Federal Reserve Board. This misinterpretation, however, is due to a certain lack of clearness, and, what appeared to me to be a contradiction in the language of the amendments under Regulation U. This regulation concerns restrictions on banks in making loans to dealers. Item No. 5 under the amended Regulation U, effective July 5, 1945, reads:

> "For the purpose of Section 1 of Regulation U, the maximum loan value of any stock, whether or not registered on a national securities exchange, shall be 25% of its current market value, as determined by any reasonable method."

Section 1 of Regulation U, as amended Feb. 24, 1941, reads:

> "On and after May 1, 1936, no bank shall make any loan secured directly or indirectly by any stock *for the purpose of purchasing or carrying any stock registered on a national securities exchange* in an amount exceeding the maximum loan value of the collateral, as prescribed from time to time for stocks in the supplement to this regulation and as determined by the bank in good faith for any collateral other than stocks.
>
> "For the purpose of this regulation, the entire indebtedness of any borrower to any bank incurred on or after May 1, 1936, or at any previous time, for the purpose of purchasing or carrying stocks registered on a national securities exchange shall be considered a single loan, and all the collateral securing such indebtedness shall be considered in determining whether or not the loan complies with this regulation."

It will be noted that the words "maximum loan value of any stock, *whether or not* (italics mine) registered on a national exchange" is used in the amendment but not mentioned in Section 1. In the text of Section 1 of Regulation U it is stated that all indebtedness used for the purpose of purchasing or carrying stocks on a national securities exchange shall be considered a single loan. It was assumed by me that dealers in both unlisted and listed securities (and it is difficult in many cases to distinguish between these classes in view of the many local exchanges where securities are listed and never sold) would be made subject to the imposed margin requirements, whether they are specialists or not. I have been informed by several dealers and bankers that this is the situation *in actual practice*, since it is exceedingly difficult for either the banks or the dealers to separate the listed from the unlisted items, and it is even more difficult for a dealer to specifically allot proceeds from collateral loans to the purchase or carrying of unlisted securities as distinguished from listed securities.

It should be remembered that listing of many securities is merely an enforced technical procedure and without having any purpose in view for aiding the marketing or distribution of the securities listed. The Blue Sky laws of several States will permit the sale of securities without a formal approval by the State authorities when the issues have been listed on some stock exchange. This has led to the listing of many securities without the least intention of marketing them on the exchange floor. Moreover, it is well known that many listed shares have ceased to be dealt in on an exchange, as, for example, bank and insurance stocks, guaranteed stocks, and the like.

According to the rules of the Federal Reserve Board, it would be necessary for the dealer, in getting a collateraled loan from a bank, to put up a 75% margin, if there happens to be among the securities he furnishes as collateral only one listed stock among any number of different stocks that are not listed, and on loans secured entirely by unlisted stocks, whenever he is not certain whether he will use the proceeds for trading in stocks that may be listed on some securities exchange.

All this, in effect, from a practical standpoint, makes it difficult to distinguish between inactive listed and unlisted securities in obtaining loans on collateral by dealers. So, although I have been led into a misinterpretation of the margin rules of the Board of Governors of the Federal Reserve System, the arguments for the relief of securities dealers and specialists in inactive securities from harsh regulations that hamper a broad public investment in small enterprises still holds, to a considerable extent. As indicated in the title of my article, there is a "margin for error."

A. M. SAKOLSKI.

New York, N. Y., July 24, 1945.

Announcements
of personnel and office location changes deserve care in preparation. We will be glad to suggest appropriate forms suitable for such advertisements.
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Sees Importance in Controls To Support National Debt

C. F. Childs and Company Holds That Program of Debt Management Overrides Problems of Debt Size and Supporting Taxation.

In the July issue of "The Investment Bulletin" of C. F. Childs and Company the importance of a sound program of Government controls to support the National Debt is emphasized.

"At present the United States faces problems which are the aftermath of every war, not only reformation of international relations but also national adjustments," says the bulletin. "A year ago, investors worried about how the national debt could be paid. Now, reconciled to its growth, investors advocate tax reduction, which would lessen the revenue needed to pay the national debt.

"Funds the government now uses to pay people for maturing bonds," the analysis continues, "must be obtained from other people. The funds must be abstracted by the government from either taxpayers or lenders. In lieu of relying upon taxes, the government must properly borrow to apportion the cost of war between the present and future generations, but 'the plumbers of 1955 cannot mend this year's burst pipe.' If there is little fear of additional taxation and faint hope for moderate tax reductions, the prospects may become likened to the Army mule which has no pride in its ancestors and no hope in posterity.

"The size of the war debt and supporting taxation call for programs of debt management more than for rapid debt reduction in the near future. Management implies some continuing government controls, the voluntary cooperation of the banking system, supervision of foreign credit, and restraint upon appropriations for public expenditures. Nationalization of banks, control of the people's money, or political handicaps on private enterprise merit no approbation nor consideration. Management also recognizes the need for maintaining public confidence in the instruments of national credit, including currency as well as the market value of government securities. Every American citizen has a stake and a part to play in the Treasury's problems for national welfare. Only genuine cooperation by the people can hasten the unshackling of private enterprise and free competition. Respect for the natural laws of supply and demand should remove congressional wartime regimentation and the harassing performances of labor unions.

"Centralized government planning to regulate domestic economic problems cannot be beneficially isolated from the world's supply and demand markets and cannot effectively supplant the sound advantages of free competition. Price and wage controls are subsidies which consumers pay with taxes and are only a reasonable necessity until the danger of inflation has passed. The danger of inflation continues while wartime government expenditures exceed government tax receipts, also while consumers have more income than there are goods for purchase. Ultimately, as surplus goods approach the surplus of consumers' funds, future deflationary influences will automatically nullify the present inflationary factors. Rationing, in substance, is a commendable curb on both inflation and speculation.

"A cheap money policy without an inflationary tendency would be a phenomenon," concludes the analysis. "Facing money and market management by controls of interest rates signifies a continuance of the Treasury's policy of short-term borrowing. With adequate power granted to the Federal Reserve System over reserve requirements, the System can influence and control expansion and contraction of credit. Since a reduction in tax receipts may follow a reduction in government spending after the war, some further borrowing of new money, apart from refunding, by the Treasury may be expected for several years. Refunding maturing high rate issues with low rate short-term issues implies a purposeful policy to reduce the interest cost on the debt and curtail the earnings of banks. Last year member banks received about 30% of the interest payments on the national debt."

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$175,000,000 American Telephone & Telegraph Issue Bought and Sold Within 2 Hours

The American Telephone & Telegraph Co. sold July 23 a new issue of $175,000,000 2¾% debentures, due on Aug. 1, 1980, to a nation-wide underwriting syndicate headed by Morgan Stanley & Co., whose bid was 99.5599. On the basis of this price the interest cost to the company will be approximately 2.77% to maturity.

The successful banking group, comprising 102 investment concerns throughout the country, reoffered the bonds to the public at par, giving a straight yield to the investor of 2¾%. Reoffering of the issue by the bankers immediately following the award by the company was authorized by the Securities and Exchange Commission.

Morgan Stanley & Co., on behalf of the underwriting group, announced in the early afternoon of July 23 that the subscription books on the offering had been closed.

The entire transaction, involving the largest single issue of corporate securities ever sold at competitive bidding and one of the largest that ever went through the normal registration proceedings with the SEC, took less than two hours from the time the bonds were sold by the company to the time the bankers announced they were sold to investors.

The company received two syndicate bids for the issue. A group led jointly by the Mellon Securities Corp. and Halsey, Stuart & Co., Inc., comprising 215 investment firms, submitted a bid of 98.919.

Proceeds from the sale of the debentures, together with other funds of the company, will be used to retire on Oct. 1, next, at 105% and accrued interest, the company's $175,000,000 25-year 3¼% debentures, due on Oct. 1, 1961.

Earl J. Woodward to Manage Detmer Dept.

CHICAGO, ILL.—Earl J. Woodward will become associated with Howard F. Detmer & Co., 105 South La Salle Street, in charge of the municipal department which the firm will open about Aug. 1. Mr. Woodward was formerly with the Ranson-Davidson Co., and Ballman & Main.

Chas. Scheetz Co. Opens In New York City

Chas. D. Scheetz & Co. has been formed, with offices at 111 Broadway, New York City. Chas. D. Scheetz was formerly in business for himself in Newburgh, N. Y.

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Ohio Municipal Comment

By J. AUSTIN WHITE

The Ohio Municipal Market has been a rather dull affair this month. Maybe too many people (including this writer) are thinking of the vacation that is at hand. However, one hears of several other, and more serious circumstances that might be blamed. First, there was a plethora of corporate financing released when the War Loan Drive closed. Naturally, this took the time and attention of many dealers and investors away from municipals. Second, it has been said that the market has been glutted with corporate offerings, at a time when insurance companies were overbought in Governments. The failure of some of these corporate issues to be taken well by the market has naturally caused some dampness to settle on the municipal market, especially when bids are made for large blocks.

J. Austin White

Third, came the rumor that Stalin was taking, this time a "peace probe" rather than a mere "feeler," for Japan to the meeting with Truman and Churchill. Moreover, the apparent ease with which we are able to wreak damage upon Japan would seem to give weight to the theory that Japan may be trying to effect peace negotiations. Thought about an early end of the war always revives all the talk about tax reductions and a flood of new municipal issues. Such talk usually is accompanied by more cautious buying of municipals.

At the risk of being compared with Cato, who rose in the Roman Senate every day for twenty years to say "Carthage must be destroyed," we reiterate that one would do well to consider the effect that the end of the war might have upon the soundness of the credit of many municipalities. Mr. Frederick L. Bird of Dun and Bradstreet, Inc., has just compiled information about the tax collection history of many U. S. cities and it would be money well spent if every municipal investor purchased a copy of this recent study and took the time to consider the points which Mr. Bird has emphasized.

Among these points emphasized is the great improvement in tax collections which the war has brought to many communities. Mr. Bird does not ask the question directly, but a thoughtful person can scarcely avoid wondering what will be the future course of these tax collections in those single industry areas which have been flled with war production and war revenues. The study compares tax collections in 1939 with those in more recent, wartime inflated years.

Another point brought out by Mr. Bird, and deserving of far more emphasis by other authorities as well as investors, is that one should consider, not so much the percentage of tax levies that is collected, but rather the stability or instability of such percentages collected over a period of years. Of course, moreover, this period of years should be long enough to include periods of depression as well as prosperity. The stability, or instability, of the economy of a community is not shown by tax collections for any one year—nor for any two or three recent years—but rather by figures for a protracted period of years, preferably since 1932, or at least including the depression years of 1932-34.

Of course, one should consider more than the tax collection history, in judging the soundness of a municipal credit, or even in judging the stability of the economy of a community. Yet any contribution toward a more intelligent appraisal of municipal credit should be given support; for, unfortunately, municipal investors, it seems, appear to be in need of all such contributions which are forthcoming.

Despite the dullness of the market this month, prices appear to be holding well to the high levels of recent months. Portsmouth sold $110,000 due 1946-56 at a good premium for 1¼s. St. Marys sold $150,000 water revenue bonds due 1946-70 at 101.60 for 1½s. Ravenna Township School District in Portage County sold $75,000 due 1946-65 at a small premium for 1¼s. Cuyahoga Heights School District, an entirely industrial suburb of Cleveland, sold $450,000 due 1947-65 at 101.68 for 1½s (with the second bid 101.67, also for 1½s).

The outstanding sale of Ohios for the month was the award last Monday of $3,000,000 Cincinnati School District unlimited tax bonds due 1946-69, at a price of 101.08 for 0.90s. This is the first sizable offering of a new issue of Cincinnati bonds in some time. On July 30th, Hamilton County will sell some $2,975,000 due 1946-69. These represent the first amounts of some $40,000,000 of Cincinnati city and school and Hamilton County bonds voted in November, 1944. No more of such authorized bonds are expected to be sold until 1946.

Moreover, it may very well be that none of the Cincinnati City bonds will be offered for public sale, since the investments now held by various city funds are running off at the rate of about $2,500,000 a year.

Ohio Municipal Price Index

Date—	*	†	‡	§
July 18, 1945	1.22%	1.42%	1.02%	.40%
July 11	1.20	1.39	1.01	.38
July 5	1.20	1.39	1.01	.38
June 27	1.20	1.39	1.01	.38
June 20	1.20	1.39	1.01	.38
May 16	1.19	1.35	1.02	.33
Apr. 18	1.19	1.34	1.03	.31
Mar. 14	1.27	1.43	1.11	.32
Feb. 14	1.30	1.47	1.14	.33
Jan. 17	1.33	1.49	1.17	.32
Dec. 13, 1944	1.34	1.51	1.18	.33
Nov. 15	1.36	1.53	1.19	.34
Oct. 18	1.35	1.53	1.18	.35
Sep. 13	1.32	1.50	1.14	.36
Aug. 16	1.31	1.49	1.13	.36
July 12	1.31	1.48	1.15	.33
Jan. 1, 1944	1.41	1.58	1.23	.35
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

*Composite index for 20 bonds †1 lower grade bonds. ‡10 higher grade bonds. §Spread between high grade and lowe grade bonds.

Foregoing data compiled by J. A. Whit & Co., Cincinnati.

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Ohio Brevities

Cleveland Graphite Bronze Co. has made arrangements with five banks for loans aggregating $5,000,000 and has asked its preferred stockholders' approval of the new term loan to replace its outstanding $5,000,000 of notes issued to three Cleveland banks in 1942 under a Regulation V Loan agreement. The notes mature on or before Dec. 31, 1945.

"It is possible," President Ben F. Hopkins told the preferred holders, "that during a period when war requirements are substantially declining or terminating and resumption of peacetime production is increasing, the corporation may need more working capital than at the present time. It is our conclusion that the maturing notes should be replaced by a new term loan designed to extend over the expected transition period and that additional bank credit should be established to be available if needed during such period."

Mr. Hopkins' letter states that an arrangement has been made with Cleveland Trust Co., National City Bank of Cleveland, Union Bank of Commerce and Central National Bank of Cleveland, and the New York Trust Co. of New York, for the loans at an interest rate of 2% per annum, and to mature in five semi-annual installments of $1,000,000. The banks will receive no government guarantee on these notes, all of which are unsecured.

The company has also arranged with these same banks for a standby credit agreement of $1,500,000, against which the company may borrow from time to time, the agreement to remain in effect five years. Interest on sums borrowed will be at the rate of 2% per annum and the commitment commission on unused credit to be at the rate of ½ of 1% per year.

* * *

Only 13 cents separated first and second bids for a $450,000 issue of 1½% bonds of Cuyahoga Heights village.

A Fahey, Clark & Co. group submitted the top bid of 101.683, compared with the next highest bid of 101.670 by a group headed by Wm. J. Mericka & Co. Others in the Fahey, Clark account were Ball, Burge & Kraus of Cleveland, and Stranahan, Harris & Co. of Toledo, O. Bonds were reoffered at 0.60 to 1.35%.

Others in the Mericka group were Paine, Webber, Jackson & Curtis.

Fahey, Clark also sold $40,000 of 1% sewer bonds of Stark County, maturing from 1947 to 1956.

* * *

Thomas J. Tobin of Cleveland Heights, comptroller of Erie Railroad Co., has been elected second vice-president of the Association of American Railroads.

* * *

Ferro Enamel Corp., with principal offices in Cleveland, has filed with the Securities & Exchange Commission a statement covering the offering of 58,264 common shares. The company said the purpose of the financing is to raise funds for the modernizing and mechanizing of its Cleveland plant, for certain construction programs and other corporate purposes.

The company plans to offer these shares to old stockholders on the basis of one new share for each four shares now held.

Maynard H. Murch & Co. of Cleveland, heads the underwriting group which includes Curtiss, House & Co., Merrill, Turben & Co. and Prescott & Co. of Cleveland, and Glore, Forgan & Co., Throckmorton Co., Kuhn, Loeb & Co.

Prior to the war, the company was one of the largest makers of vitreous porcelain enamel in the world and numbered among its customers Frigidaire, General Electric Co., Westinghouse Electric Co., Kelvinator, Servel, Inc., National Enamel & Stamping Co., Briggs Manufacturing Co., Mullins Manufacturing Corp. and Youngstown Pressed Steel Co. It has subsidiaries in Canada, Brazil, Argentina, Australia, England and Holland.

As of last May 31, the company and its domestic subsidiaries had unfilled orders of about $10,500,000 of which approximately $7,000,000 were estimated to be for ultimate government or war use.

* * *

A Halsey, Stuart & Co. group, including Otis & Co. and First Cleveland Corp., bid 101.17 for 3⅛s of Portland (Ore.) General Electric Co. first mortgage bonds, maturing in 1975. The total offering amounted to $34,000,000. The Halsey group reoffered the bonds at 102.41 to yield about 3%. The Halsey bid was about 45 cents more per bond than that of First Boston Corp. at 101.1259, also for 3⅛s.

* * *

H. R. P. Lytle of Detroit, management consultant, has succeeded

(Continued on page 429)

Another substantial Ohio issue in prospect is the scheduled award on Aug. 13 of $1,625,000 Cuyahoga County refundings, due semi-annually from 1946-1950.

Cleveland Bond Club Holds Annual Fete

New Governors Chosen

CLEVELAND, OHIO—The Bond of Cleveland held its annual spring party and announced the election as Governors of William H. Clark of Paine, Webber, Jackson & Curtis; Eldridge S. Warner of Hayden, Miller & Co., and Byron R. Mitchell of C. F. Childs & Co.

A. F. Reed, President of Union Savings & Trust Co. of Warren won the first leg of the new Scribner & Loehr Co. trophy in the golf tourney. Mr. Reed had low net of 84-17-67.

Winners of prizes in the blind handicap, in which scores ranged from 70 to 85, included:

Don Ebright, State Treasurer, Hazen Arnold of Braun, Bosworth & Co., Toledo; William Koeth of Gunn, Carey & Co.; J. L. Quigley of Quigley & Co.; Norman V. Cole of Ledogar, Horner & Co., and Carl Bargman of Braun, Bosworth Co.

Lee Higgginson Branch Opens Under H. Wilson

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Lee Higginson Corp. has opened a branch office in the Union Commerce Building under the management of Hamilton Wilson. Mr. Wilson was formerly an officer of Field, Richards & Co. and prior thereto was a partner in Smith, Barney & Co. and Edward B. Smith & Co.

Keegan At Field Richards

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Kevin J. Keegan has become associated with Field, Richards & Co., Union Commerce Building. Mr. Keegan formerly represented Wood, Struthers & Co.

Ray Smith With Goshia

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO—Ray A. Smith has joined the staff of Goshia & Co., Ohio Building. Mr. Smith in the past was with First State Corp. and Westheimer & Co.

The San Francisco Charter

(Continued from page 402)

methods of peaceful settlement of controversies. It re-establishes the World Court and creates trusteeship for dependent countries. It provides for a limited action to prevent military aggression. It sets up machinery for promotion of social and economic welfare.

The Weakness of the Charter

There are many weaknesses in the Charter. There is no positive Bill of Rights for nations and men, but only a mere suggestion that they should be promoted. The Charter does not recover the principles of the Atlantic Charter which were whittled away at Teheran and after Yalta. The political, moral and spiritual standards of conduct of nations and of men are thus insufficiently defined for the tests by which the conduct of nations can be judged by the Security Council. While the Security Council has the power to stop military aggression among small nations yet this is not assured among the great military nations because of the veto power. The Charter fails to define aggression even in the admirable terms settled by the Soviet Government for inclusion in its treaties of 11 years ago. And it does not even mention the new disintegrating forms of aggression of one nation upon another through propaganda and fifth columns. The regional organization, the methods of review of outmoded treaties, and the lack of commitment to relative reduction of armies and navies leave much to be desired. Most of these vital questions are referred to in terms of hope or permission, not in terms of positive undertakings or agreements. But these weaknesses point the directions in which there should be amendment over the years to come.

Powers of Our Delegate Should Be Defined

From an American point of view, ratifying the Charter involves little commitment beyond those that may be entered into by our representative on the Security Council. And somewhere along the line there must be a definition by the Congress of the powers of this delegate. While there need be little worry about our representative using our miliary forces for minor police incidents, yet the Congress should never part with its powers to make war. It should be understood that the structure of our Government differs from those of the other principal powers. The British and French are Parliamentary Governments where the executive is a committee of the legislative arm and constantly responsible to it. Therefore the authorized vote of their representative will be the view of the legislative arm. Russia is a totalitarian government where the vote of their representative will be determined in Moscow. We alone have such a separation of the powers of government. Ours is the only delegate on the Security Council who might commit his country to war without the consent of the legislative arm. His authorities should be defined so that the President or the delegate is in some way responsible to Congress before the nation is committed to war.

Peace Rests Upon Continued Collaboration of Washington, London and Moscow

The plain fact is that the making of political and economic peace settlements between the United Nations and with the enemy states and the preservation of lasting peace still rest upon the successful collaboration of the three centers of power—that is, Russia, Britain and the United States. And it will rest there for many years to come. The Charter will offer a forum for world opinion and advice to these responsible powers. The retreat from the Atlantic Charter, the ambitions and emotions of war, the omissions from the San Francisco Charter emphasize that these three great powers are really the trustees of world peace rather than the Charter itself. This collaboration will require much patience, it will require great firmness, it will take time and much good will to find lasting solutions after the high emotions of war, of national ambitions, of differing national purposes. In any event, for 25 years after the victory over Japan, all of the nations of the world will be absorbed in restoring their internal economy and in re-establishing their standards of living. During this period the world should be able to work out the problems of lasting peace.

The Road to Lasting Peace

War emotions will cool in this period and it should be possible to re-establish the only basis upon which the world will have peace. That is, the relations between nations and men must be founded upon positively agreed political, moral and spiritual rights. And there will be no peace unless these rights be applied to those peoples who have been deprived of them or who have not yet attained them. This is more important today than ever before, for liberty and freedom have shrunk in great areas as a result of this war. America cannot guarantee an unjust peace. Furthermore, peace can come only if we differentiate between the common people of the enemy nations and their criminal leaders, so that we do not transform stern justice to war criminals into general vengeance. The Germans, Japanese, Italians, Bulgarians and Hungarians must, sooner or later, govern themselves. While they cannot again be trusted to bear arms, yet they must be allowed to restore their productivity in peaceful industry if they, and indeed the rest of the world, are to recover decent living and to have enduring peace. Our purpose must be to lead them into the paths of peaceful contribution to civilization for our sakes as well as their own.

The Tests

In the preamble to the Charter the purpose of nations is stated: "To re-affirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women and of nations large and small. To establish conditions under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained. To promote social progress and better standards of life in larger freedom. To practice tolerance."

This preamble is an expression of hope. It is not a binding agreement. The test of the war-settlements and indeed of the Charter itself will be whether these ideas are applied to all peoples. If the nations fail in these particulars we shall have explosions which no Security Council can control. But if the ideas of this preamble be followed in the political and economic settlements of the war, the wounds of war can be healed, liberty restored in the world. the Charter strengthened, and lasting peace can come to mankind.

Kaub In St. Louis

ST. LOUIS, MO.—Ottmar Louis Kaub is engaging in a securities business from offices at 5205 Neosho.

Substitute for Margin

For the second time this year and after five months of threats, the Federal Reserve Board finally raised stock market margin requirements from 50 to 75%. And from where we sit it looks as if Mr. Eccles will insist on 100% cash purchases in his efforts to curb stock market speculation.

Whether it will accomplish the intended purpose is highly dubious. When the FRB upped margins from 40 to 50% in early February the stock market seemed to thrive on the treatment. Speculation, once it gathers momentum, is hard to stop—more especially so when there is a great plenty of cash. Many a broker expects even more speculative activity in low-priced stocks as the direct result of this latest margin increase.

Our own answer to the problem: high leverage shares are the perfect trading substitute. This is just another and safer way of trading on margins—the only difference is that investors own the shares outright and let the investment company provide the extra money to put to work for their common shares

The extremely bullish investors can load up with these shares that will move from four to ten times faster than the market. The extremely bearish can sell them short because they can be expected to drop very sharply in any market recession. The uncertain can keep 75% of their funds in cash or governments, put 25% into these shares with the same chance for appreciation as if they were 100% invested in standard market issues.

We predict that as the investing public and dealers become more aware of the speculative potentialities of high leverage shares the demand in a rising market will exceed the supply and push prices up to a premium. The supply of low-pricd high leverage shares is very limited—only 41,500,000 shares outstanding. Trading volume for 1944 in these shares was less than 6,000,000 shares with total dollar volume of about $26 million at current market prices.

Here is a list of all the available high leverage investment company shares and warrants together with 1944 trading volume and the total average dollar volume:

	Present Market	1944 Volume	$Volume at Current Mkt.
Alleghany Corp., common	4¾	1,234,000	$5,861,000
American Superpower	1⅜	823,000	1,132,000
General Public Service	3½	97,000	340,000
General Shareholdings	3½	41,000	144,000
North American Investors	12	3,972	48,000
Selected Industries, common	2	223,000	446,000
Selected Industries, convertible	16¾	76,000	1,273,000
Tricontinental, common	6¾	681,000	4,597,000
Tricontinental, wararnts	1¾	68,000	119,000
United Corp.	3	1,815,000	5,445,000
U. S. & Foreign	16½	300,000	4,950,000
U. S. & International	1¾	82,000	144,000
Utility Equities	3⅜	34,000	115,000
Atlas Corp., warrants	4⅛	296,000	1,221,000

Strauss Bros. Install Wire to Pacific Coast

With the announcement of the installation of private wire service to Los Angeles, Cal., through its correspondent Pledger & Co., Inc. Strauss Bros., 32 Broadway, New York City have now inaugurated a coast-to-coast wire service, with other private wire service to its own Chicago office, and to St. Louis, Mo., and Kansas City, Mo.

This marks another step forward in the firm's specialized service to dealers all over the country, which has been the background for the expansion of its various trading and statistical facilities.

Ever since the firm was founded in 1933 by Abraham and Robert Strauss, who gained their financial training with the firm of Logan & Bryan, it has devoted itself to the furnishing of primary markets to dealers, together with statistical data and pertinent information on unlisted securities. In keeping with the idea the firm in 1938 began issuance of the Strauss Bulletin, "Geared to the News," by Frank Ginberg, who joined the firm in 1936.

To expand its service to dealers in the Middle West in 1942, the firm opened an office in Chicago, in the Board of Trade Bldg., and installed wire service to St. Louis and Kansas City, Missouri. The present wire to Los Angeles adds another milestone in its more than twelve years of service to dealers.

From "Notes and Comments" issued by Arthur Wiesenberger & Company, New York, N. Y.

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Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

There are a surprising number of commercial banks in the United States which have passed the century mark in age. In New York City alone there are at least seven prominent institutions whose histories date back well over one hundred years.

The oldest is Bank of New York, founded in 1784. It was the first bank to be started in New York City, and for fifteen years it was the only bank. Prominent in the group of founders was Alexander Hamilton, and for many years he was active in its affairs. It is now in its 161st year, and according to the record, it has paid dividends in each year since 1784.

Fifteen years later, Alexander Hamilton's political enemy, Aaron Burr, was instrumental in organizing what has since become the Bank of the Manhattan Company. It was extremely difficult in those early days to start a new bank in the state of New York. Aaron Burr's group, consequently, started in the guise of a water company, but through the astuteness of Burr a clause was incorporated in the charter which permitted the company to use its surplus in any way it saw fit, so long as it was legal. Thus the water company was enabled to put in operation a department of deposits and discounts for its customers. When, in 1842, the City of New York inaugurated its own water department and bought the properties of the Manhattan Company, banking became its only business.

Chemical Bank & Trust Co. started as an industrial concern, doing a business of deposits and discounts on the side, as it were. It was chartered in 1824 as the New York Chemical Manufacturing Company, carrying on its dual functions until 1844, when the chemical business was liquidated. In the 1857 financial panic it was the only bank in New York to maintain specie payments, on which account it became dubbed "Old Bullion".

Manufacturers' Trust, also, is a banking institution which traces its historical origin to the founding of an industrial corporation over a century ago. Its origin can be said to have started with the organization of the New York Manufacturing Company in 1812. Its family tree also includes the old Phenix Bank of New York which was founded in 1812.

National City Bank's history dates back to the War of 1812, for, as the City Bank of New York, it opened its doors for business but a few days before the outbreak of war. It was an important factor in the financing of the war costs.

Guaranty Trust Co. also has an ancient and honorable history. Although the New York Guaranty & Indemnity Company was not organized until 1864, in 1929 it merged with the National Bank of Commerce, which was founded in 1839. Thus Guaranty's roots go back 106 years.

Irving Trust Company is another institution which indirectly can claim to a history in excess of 100 years. Though established in 1851 and named after the popular American author, Washington Irving, it later merged with the American Exchange Bank which was organized in 1838.

Boston is another American city which can claim some century-old commercial banking institutions. The oldest is First National Bank, which was founded as the Massachusetts Bank in the same year that Alexander Hamilton's group founded the Bank of New York in New York City, viz. 1784. It became a national bank in 1864.

Merchants National Bank is now in its 114th year, having been established in March 1831. It too, became a national bank in 1864 under the National Banking Act of that year.

National Shawmut Bank was originally incorporated as the Warren Bank in 1836, but changed its name to the Shawmut Bank the next year, and became nationalized in 1864. Another Boston bank well beyond the century mark is Second National Bank, founded in 1832.

Philadelphia's oldest commercial banking institution appears to be the Philadelphia National Bank, which was organized in 1803 as the Philadelphia Bank. In common with many other state and local banks it too became nationalized after the passage of the National Banking Act of 1864.

The Pennsylvania Company for Insurances on Lives and Granting Annuities was incorporated in Pennsylvania in 1812, and its trust business was started in 1836.

Tradesman's National Bank & Trust Company was originally incorporated in 1846, and thus is very close to the century mark.

This list by no means pretends to be complete. It does serve to point to the fact that commercial banking in America is one of the oldest types of business organization. Generally speaking, it, together with fire insurance, are almost in a class by themselves in this respect. Other commercial banks than those mentioned above have histories of 100 years and more, and they too will be found mostly in the eastern section of the United States. The further west one explores the subject, the younger, in general, is the average age. Some of the Californian banks have their roots in California's gold rush days of nearly a century ago, but none has yet reached the age of 100 years.

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SEC Requires Reports on "Cutbacks"

Issues Order Providing for Disclosure of Current Data on Dollar Volume of War Business. Listed Companies Must Report Quarterly to Commission on Cancellation of War Contracts, When the Contracts Are 20% or More of Total Sales of Previous Fiscal Year. Holds Investors Should Have Prompt Advice. Controllers Institute Criticises the Rulings.

The Securities and Exchange Commission on July 23, issued an order directing companies with securities listed on security exchanges to disclose data on changes in their war business.

Two other orders were also issued regarding the filing of these reports. Under one of these (Rule X-13A-6) the concern is to notify the SEC of the cancellation of any war contract, if the terminated portion of the contract amounts to at least 20% of its total sales for the previous fiscal year. The second of these orders (Rule X-13A-6A) directs the filing of a quarterly report on unfilled war orders and the dollar amount of sales of such business was 25% or more of total sales in the last fiscal year.

The report covering cancellation of war contracts is required to be mailed to the SEC "before the close of the day following receipt of effective notice of the termination." It will be placed, however, in the Commission's public files, unless, in the opinion of the procurement agency involved publication would "contravene the Code of War-Time Practices or the security regulations of the individual agency."

The new rules, says the SEC, were under consideration since the spring of 1944, and their adoption is now made because of the new situation created by V-E Day. The Commission states that it has consulted other Government agencies as well as trade associations, individual industrial concerns and investment houses.

"Comments on the proposed rules have been received from a wide variety of sources," the SEC states. "Somewhat more than two-thirds in number of the comments received were in favor of the proposed rule."

"We think it apparent," the Commission says, "that the process of reconversion to production and sale of civilian products is of very material importance to investors. It follows, we think, that investors interested in a particular company ought to be appraised, as quickly as possible, of significant changes in the amount of war and non-war business. It appears further that cutbacks and terminations are not necessarily spread evenly over the members of a particular industry and that it is usually not possible to determine from public announcements the extent to which major cutbacks and terminations will affect the business and operations of an individual company, particularly if the company in question is a subcontractor or supplier rather than a prime contractor.

"It is also apparent that decline in war business may affect different companies in different ways and may or may not affect future net earnings in a given case. Such matters, of course, involve the exercise of investment judgment in the light of all available information as to the general operations of the company, its plans and prospects for the future and many other factors. However, substantial declines in war business and abrupt terminations of major war contracts do make imminent the important problems of reconversion and we believe the investor should have prompt advice as to the extent to which such problems are at hand for the companies in which he is interested. We have, therefore, determined to require companies to make the two types of reports."

According to the Controllers Institute of America, the new SEC requirements will be "misleading to investors, rather than helpful and protective." "Controllers, as a group," says the Institute, "did their best to dissuade the Commission from adopting the rules, principally on the ground that the information which the Commission will assemble under them will not be of great value, and may easily be harmful to investors. It also was pointed out that the preparation of these reports will be costly and a heavy burden on industry, and will involve the writing of many complex rules, and later their interpretation, together with the making of many decisions as to their application to individual companies."

Bayly Registration Revoked

The broker-dealer registration of R. D. Bayly & Co., 727 West Seventh Street, Los Angeles, Calif., has been revoked by the Securities and Exchange Commission and the firm has been expelled from membership in the National Association of Securities Dealers, Inc. The Commission found that the firm had violated anti-fraud provisions of the Securities Exchange Act in a campaign undertaken in 1943 by Roy D. Bayly to acquire control of the Commercial Discount Co., an automobile financing company in Los Angeles, then controlled by his brother, Harold Bayly.

The Commission emphasized that Donald D. Foss, Mr. Bayly's partner, who has been on active duty with the Navy since December, 1942, was not implicated in the unlawful activities.

Pettit, Bausman & Co. Formation Announced

Karl D. Pettit announces the formation of Pettit, Bausman & Co., 20 Exchange Place, New York, engineers and economic consultants to specialize in the preparation of reports and economic studies. Other members are R. Fenby Bausman, Alfred C. Boni and Donald H. Gardener.

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OUR REPORTER'S REPORT

Marketing of American Telephone & Telegraph Co.'s $175,000,000 of new 2¾% debentures this week made a bit of financial history in more ways than one. It was not only the biggest single corporate issue ever brought to market under the auspices of competitive bidding but, what was more important, it passed from the issuer to the investor in a remarkably short space of time.

Scarcely two full hours had expired from the opening of bids, before noon, until the announcement by the syndicate managers that subscriptions had been closed. The actual offering time, that is from the opening of the books to the public until the deal was completed, absorbed barely an hour.

The response here was in contrast with that encountered by some recent undertakings. The consensus seemed to be that the investor got a "break" for a change. In support of this idea people in market circles were inclined to point to the remarks of the treasurer of American Telephone & Telegraph who expressed disappointment with the bids received and said that the company was a bit reluctant to let the issue go at a price under par.

Bankers handling the deal realized an unusually slim spread, averaging about $4.40 a $1,000, having paid 99.5599 to the company and reoffered at par. The opposing syndicate offered to pay the issuer 98.919 and, according to report, intended to fix par as the reoffering price.

All in Together

As expected the bidding for the big A. T. & T. issue was severely restricted because of the size of the operation. Two banking syndicates were in the field but it was noted that the composition of these two groups just about embraced the bulk of the country's underwriting strength.

The successful syndicate headed by Morgan Stanley & Co. had a total of 102 investment firms on its roster.

And the competing group, headed by Mellon Securities Corp. and Halsey, Stuart & Co., Inc., boasted an aggregation of some 215 investment organizations.

The underwriting industry knew it was facing a record-making task and prepared itself accordingly, and evidently the Securities and Exchange Commission was satisfied with the procedure since it permitted the issue to be marketed immediately, instead of invoking the 48-hour delay.

Three Big Stock Issues

Three large industrial offerings helped to swell the week's total of new offerings. Reynolds Tobacco Co.'s unsubscribed preferred stock in the total of 381,940 shares carrying a 3.6% dividend rate, were placed on the market Tuesday and encountered brisk response.

Yesterday the public had the opportunity of subscribing for 200,000 shares of new preferred stock, cumulative, series A, of the Standard Oil Co. of Indiana.

This stock, carrying a 3¾% dividend rate, was sold to bankers who proceeded with reoffering upon approval of necessary amendments to the company's articles of incorporation, voted favorably upon on Tuesday.

One of the fastest deals in recent months went through yesterday when a banking group marketed 34,500 shares of preferred stock, priced at $103.75 a share and 200,000 shares of common stock of the Jacob Ruppert Brewing Co., the latter issue priced at $18.25 a share.

Bank's Stock Offered

With common stockholders having exercised their rights to purchase some 311,000 shares, or 75.4% of the 412,500 shares of new common of Manufacturers Trust Co. of N. Y., at $58 a share, bankers who had a standby agreement to underwrite any unsubscribed shares, put the balance on sale yesterday.

This gave the public the apportunity of picking up some 101,500 shares of the issue which is being sold to provide funds for the retirement of the bank's preferred stock and for additional capital.

Meanwhile it was indicated that stockholders of Pan American Airways have subscribed for almost 95% of the 2,043,000 units of stock and purchase warrants offered by the company, thus obviating the likelihood of any public offering.

Recent Issues Moving

Bond men report an improved situation prevailing in some of those issues which were brought out recently and which proved a trifle slow in moving.

Louisville & Nashville Railroad's Series G bonds were reported to be attracting noticeably more interest and the same was true in the case of the Texas & Pacific's recently marketed new issue.

Wellington & Co. to Admit

Wellington & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Herbert G. Wellington Jr., a member of the Exchange, to partnership as of Aug. 1.

Philipson Co. to Have Three New Members

UTICA, N. Y.—Max Philipson, Benjamin Philipson and Ruth C. Philipson will become members of Philipson & Co., 219 Genesee Street, joining Meyer Philipson, formerly sole proprietor of the firm. Both Max Philipson and Benjamin Philipson have been associated with the firm for many years, the latter recently having been on war duty.

As a Business Partner

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The Securities Salesman's Corner

By JOHN DUTTON

Training New Salesmen

If the securities business is to grow in the future, new blood must be brought into the industry. Experience has proven that additions to the sales organization present one of the most difficult problems in the securities business today.

On occasions we have been asked the question of what we believe to be the best way of training salesmen. The following are some of our own conclusions regarding this matter.

First, select your men with care. Make as certain as possible that the candidates you select for additions to your sales organization are as well fitted by past experience and background as you can find. In this respect we would insist upon scholastic and business training that would serve as a foundation for the investment business. Seriousness of purpose and a desire to make a career out of the securities business should also be apparent in the applicant's attitude toward his prospective job. He should be above the average in ambition. Personality and likability are also helpful qualifications. Needless to say sound character is a basic qualification. As men are released from the armed services many worthwhile candidates for such positions will be available. Army training which combines a background of clear thinking and decisive action, is certainly a sound foundation upon which an intelligent man can build a career in the investment security business. Here is a vast reservoir of manpower that will soon be available to investment firms that are now faced with such manpower problems.

Second, after you have selected your men with as much care as possible, allocate sufficient time and a competent instructor to the job of training them properly and well. Such a program is expensive but it is the most profitable in the long run. If good men are hired give them good training. Putting men on a sales force with inadequate training, and sending them out to make calls on a list of prospects may be the quickest way to build some sort of a sales organization—but it won't be the best way. A few above average men will stumble along and somehow make successful salesmen **out of themselves**—but such a plan is going to mean constant turnover and continued hiring and firing, that in the long run will be more expensive than a good training program.

Such a course of training should include instruction in basic economics—how business is financed—why we have an investment business (its economic justification)—operations of our markets—interest rates and government fiscal policies and how they are related—the meaning of balance sheets and income accounts—the importance of management in enterprise—why the prices of securities advance and decline—sinking funds—excess profits taxes and other taxes—capital setups of various types of companies and other related subjects of this nature, which are all a part of the knowledge required by a competent securities salesman. You may say this a pretty big order and it is. But such a course cannot be completed in a few weeks—it should be stretched out over a period of months and if necessary the time given to this foundation work could be held over until the evening hours. Any man who has an opportunity to obtain such an education should be glad to attend night classes if it were necessary—otherwise he shouldn't be hired in the first place.

Then a practical course in selling securities should be given to the new men by someone who not only knows how to do it BUT CAN ALSO EXPLAIN IT IN TERMS THAT CAN BE UNDERSTOOD AND CARRIED OUT IN PRACTICE. The approach—how to make a contact—how to build confidence—how to get the investor's viewpoint—how to qualify a lead—follow up on calls—plan a day's work—how to explain the highlights of an attractive offering—the right way to use the telephone—and how to close.

As the new men gradually find themselves and begin to gain confidence, individual guidance is necessary. The period of training, in our opinion, should be intensive for the first several months. The first year is the foundation period and continued training should be conducted even after sales begin to accumulate and confidence is beginning to be shown by the men themselves. There are different theories as to the best method of compensating salesmen during such a period of development—it is our belief that a straight salary during the first few months is advisable. When the men begin to produce business a drawing account against earned commissions is the most successful way to encourage good results and increase production.

There are other ways to build a sales organization—some may think this is the long way and the hard way—but in our experience we have never heard of a better way or a more sure road to success. The right men to start with—good training—cooperation after they get started—IT MEANS A MORE LOYAL ORGANIZATION IN THE LONG RUN AND ONE THAT KNOWS WHAT IT IS DOING. THAT'S IMPORTANT, TOO!

American Fruit Growers Inc., Com.
Arden Farms Co., Pfd. & Com.
Fullerton Oil Co., Com.

Wagenseller & Durst, Inc.
Members Los Angeles Stock Exchange
626 SO. SPRING ST. TRINITY 5761
LOS ANGELES 14
Teletype: LA 68
Market Quotations and Information on all California Securities

This announcement is not an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

50,000 Shares
Cook Paint and Varnish Company
$3 Prior Preference Stock, Series A
(Par Value $60 Per Share)
Subject, with respect to 35,000 shares, to the Company's Exchange and Subscription Offer to holders of its presently outstanding Series A Preferred Stock
Price $65 per Share
plus accrued dividend from June 1, 1945

Copies of the Prospectus are obtainable from only such of the undersigned as are registered dealers in securities in this State.

STERN BROTHERS & CO.
KIDDER, PEABODY & CO. HARRIS, HALL & COMPANY (Incorporated)
BOETTCHER AND COMPANY BOSWORTH, CHANUTE, LOUGHRIDGE & COMPANY
KEBBON, McCORMICK & CO. WATLING, LERCHEN & CO.
THE FIRST TRUST COMPANY OF LINCOLN, NEBRASKA
BAUM, BERNHEIMER COMPANY BEECROFT, COLE AND COMPANY
BURKE & MACDONALD PRESCOTT, WRIGHT, SNIDER COMPANY
July 17, 1945

V-J Day—Its Probable Effect on Business and Security Prices

(Continued from page 403)

der way, the unemployed would be absorbed more readily by peace-time industry; and with the general consciousness of people that the end could happen at almost any time, if stock prices were not too high above present levels the market probably would not sell off.

A much longer war—say two years—would mean that industry would continue to supply the sinews of war; there would not be the same degree of tax relief; reconversion might have caught up with cancellations of war contracts, corporations engaged in war work would have built up surpluses, and the effect of the news would thus be cushioned. A longer war might possibly have made inroads on the pent-up civilian demand, which would have reduced the backlogs accruing during the war period.

ECONOMIC EFFECTS

Early Peace

With the end of the Japanese war coming suddenly and soon, after the initial shock the realization that complete cessation of hostilities is helpful to industry would soon show that peace is essentially and basically bullish.

Early peace with Japan would mean immediate steps for lower taxes; for release of materials for peacetime uses; the transfer of labor to former channels quickly. It would facilitate reconversion, now being retarded in the uncertain period between V-E Day and V-J Day.

While sudden peace—surrender or negotiated — would probably mean apprehension over a possible degree of temporary chaos, it would be evident that peace would enable industry to effect actual reconversion much more quickly. Hence, fundamentally, peace with Japan should be construed as bullish for the long term.

1. Once we have conquered Japan, taxes—including the weighty excess profits tax—will undoubtedly be lowered, and perhaps eliminated altogether.

2. The road will be cleared for full-time peacetime production.

3. Much of the inconvenience caused by the many Government controls will be eliminated.

4. Pressure on the OPA to bring prices more in line with costs and reasonable profits will undoubtedly be sufficient to force higher prices unless such relief has already been obtained.

5. During the period of reconversion most companies will have the benefit of carry-back taxes to be reflected in earnings, even though operating income may decline.

6. An early termination of the Japanese war will permit industry rapidly to go along the road of producing to meet the huge pent-up demand that exists for most manufactured articles—a demand supported financially by the vast amount of savings and money in the hands of the public, readily available to purchase consumer's goods, both durable and soft goods.

The prospect of the war's ending suddenly or soon would mean, of course, that industry would at once meet the complete reconversion problem.

The war industries would have lower volume and the peace industries would be rapidly expanded.

Peace in Six to Nine Months

If the war with Japan should be protracted and not end for six to nine months, by then reconversion should have made steady strides while at the same time war contract cutbacks and cancellations should be having less and less disruptive effects.

Moreover, the shorter term should no doubt mean that tax reductions would be made effective correspondingly earlier.

On the other hand increasing unemployment is likely to present a serious problem.

Discharged veterans in increasing numbers will be seeking to reestablish themselves either by returning to their old jobs or to the soil; and, furthermore, many of them will attempt to take advantage of the privileges granted to them by the Government in the law commonly known as the "G. I. Bill of Rights," under which they can acquire small businesses or farms.

Another factor in the labor market will undoubtedly be the large number of war workers who, emerging from defense plants, will compete with returning veterans.

Peace in Two Years

The long-term outlook is, of course, far more favorable in so far as economic and business conditions in this country are concerned. Some reduction in the volume of deferred demand undoubtedly will have been made, but reconversion should be virtually completed and business should be approaching normal.

Tax Reduction

Some companies which are now paying heavy per share excess profits taxes would benefit considerably; present prices of their stocks have not discounted pretax income. The post-war readjustment period would witness a sort of tug of war between excess profits taxes savings and reduction in volume of business. Many companies can stand shrinkage of half to two-thirds their pre-tax income before they suffer any reduction in net income. Some companies, with lower volume but no excess profits taxes, will probably earn more per share than they did with higher volume and heavy taxes. Many companies during the war have reduced debt and ploughed large amounts of dollars into property—equal in some cases to more than common stock market price.

The Government wants to see big business volume and taxable income in order to meet the budget for peacetime operations and to support the national debt, now about $270 billions.

MARKET EFFECTS

A market reaction such as that seen on July 17 and 18, when the Dow-Jones Industrial Stock Average fell about 4 points, goes toward discounting peace before the actual news occurs, because of prevailing peace consciousness, intensified by items in the daily news such as overtures to Stalin. However, the market's resiliency is evidenced by today's reversal of the decline, the Dow-Jones Average being up 1.12 or about a recovery of 25%.

Put concisely, the effect of the news that can be expected upon the stock market would appear to be:

Early Peace

If a sudden end: if the market is in an up-trend, probably a temporary reversal; if it is in a downtrend, the effect likely would be the reverse.

Peace in Six to Nine Months

If at the end of this year or by early spring, the chances are that the effect of news would be cushioned; if stock prices were not already high, the market probably would advance.

Peace in Two Years

Long war: with reconversion caught up, and some peacetime production already showing increasing volume, the chances are that the market, if not substantially higher than now, would witness continuation of present prices.

Nota Bene

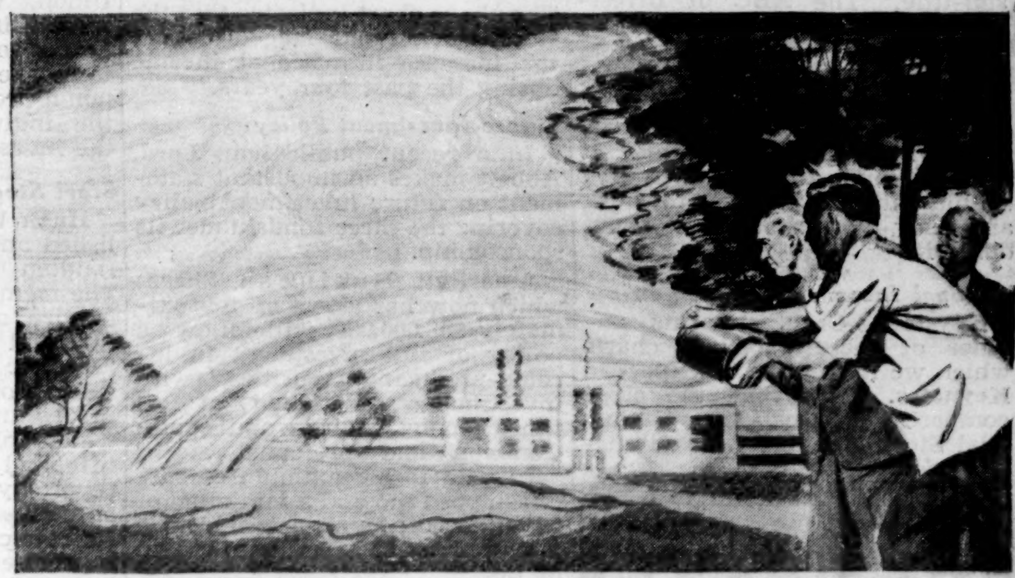
The reader should note the above is an expression of our opinions as we see the situation under present conditions, and, of course, developments must be taken into consideration to the extent of the progress that is made in reconversion, the lifting of Government controls, tax relief, broadening of OPA profit margins, etc.

[Reprinted from the July 19, 1945, issue of "Investment Timing," published by the Economics and Investment Department of the National Securities and Research Corp., New York, N. Y.]

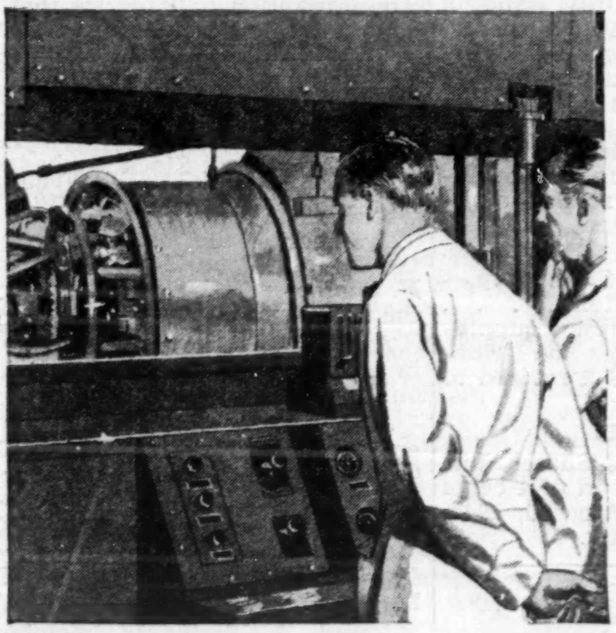
Esso research develops

A SAFETY HIGH OCTANE AVIATION FUEL...

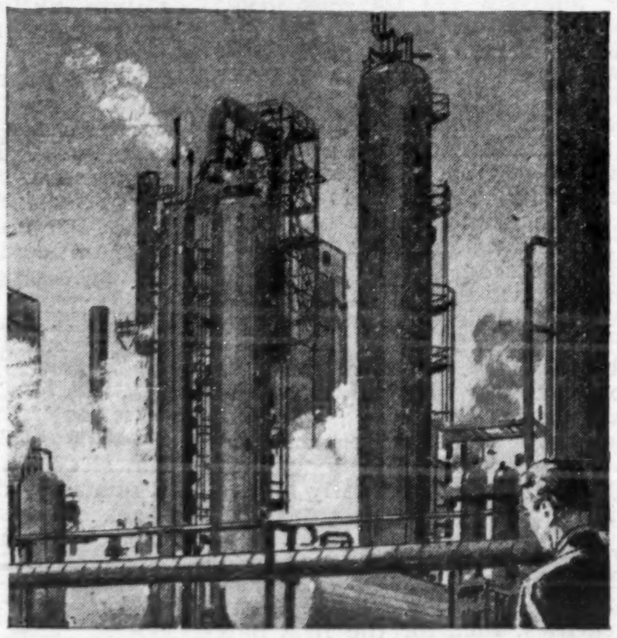
Now being tested by leading aircraft engine manufacturers



1. If hurled suddenly into space, as shown, a single gallon of aviation gasoline almost instantly forms a "pocket" of *more than 700 cubic feet* of inflammable gas-and-air vapor, ready to flash into fire at the slightest spark. But do the same under normal conditions with this new Safety high octane fuel *and you get NO inflammable vapor!* In fact, a lighted match can be dropped into this new Safety high octane fuel, and the match simply goes out!



2. With much of the laboratory ground work done—including engine tests in the Esso Laboratories at Bayway, N. J.—the new Safety high octane fuel is now being tested by aviation engine manufacturers for application to post-war aircraft. Packing all the power of regular 100 octane gasoline, but so resistant to chance ignition you can douse a lighted cigarette in it—Safety high octane fuel promises to extend still further the splendid safety records of commercial aviation.



3. Full-scale commercial production of this Safety high octane fuel will not be possible till after the war. Petroleum ingredients needed for its manufacture are now wholly required for war-time production of synthetic rubber and 100 octane gasoline. But when the petroleum industry can turn from its war job and use facilities now needed to make 100 octane for our fighting planes, an adequate supply of this Safety high octane fuel from the industry can be assured for those operations where it can contribute to safety.

A DEVELOPMENT OF CONTINUOUS PETROLEUM RESEARCH AT ESSO LABORATORIES

Recently demonstrated at a Press conference in New York City

Back in 1930, Esso Laboratories began experiments leading to the first production of a Safety high octane aviation fuel.

Because of certain combat requirements, the fuel has not been found practical for today's military planes, although the Army and Navy conducted extensive tests with it in the early 1930's.

The Navy, however, has made use of this Safety fuel to test fuel systems on aircraft carriers under construction or repair, to minimize danger of flash fires from the sparks of a welder's torch or from static electricity.

But the real story of Safety high octane fuel must wait till after the war. Then—with proper engines ready for its use, and with plants and processes now engaged in war work made available to quantity production of Safety fuel—Safety fuel may prove an important step toward still safer travel in the air.

ESSO LABORATORIES

where constant research produces high quality petroleum products for

STANDARD OIL COMPANY (N. J.)

AND AFFILIATED COMPANIES

Copr. 1945, Standard Oil Company (N. J.)

Mutual Funds

Nebraska Scores A First

By enacting two new laws to allow trustees and life insurance companies to purchase investment company shares, the State of Nebraska has taken the lead in what we believe is only the beginning of a trend. The Nebraska law relating to trustees allows an executor, guardian or an administrator to invest up to 20% of the assets under his control in "stocks or other securities of management-type investment companies qualified under the Federal Investment Company Act of 1940. . . . and which are authorized for sale by the Bureau of Securities of the Department of Banking."

The new insurance law permits insurance companies to invest up to 5% of their assets "in shares, interest or participation certificates in any management-type of investment trust, corporate or otherwise, which has been in existence for a period of at least 10 years; provided, that the assets of such investment trust shall not be less than $10,000,000 at the date of purchase."

Investment company sponsors were quick to publicize this good news. Last week brought bulletins from Lord, Abbett, Selected Investments Co. and Distributors Group, commenting on this action by Nebraska.

Put Your Money to Work

A new booklet designed for individuals who "now own substantial surplus funds for the first time in their lives" comes to hand this week from **Distributors Group.** It carries the title, "Put Your Money to Work," and the sub-title, "The ABC of Investing."

While it is written in simple language for "new" investors, this booklet will make a strong appeal to anyone with $5,000 or $10,000 now lying idle in the bank. It tells in simple language **why** you should put your money to work and **how** you should go about doing it.

National Income and Stock Prices

Keystone Corp. presents another of those excellent charts which we have come to expect in **Keynotes.** This time the chart compares the Dow-Jones Industrial Stock Average with our national income in the years from 1928 up to the present. Whereas stock prices were high in relation to national income in the early years covered by the chart, the situation has now been completely reversed.

Keynotes comments on this relationship as follows: "The level of national income is significant marketwise because it determines the general level of business activity and corporate earnings. It is also the source of new money seeking investment employment. The above chart indicates that the stock market has lagged behind the increase in national income during the past four years."

Future Investment Policy

In a recent publication, **Lord, Abbett** makes an important statement on future investment policy covering the three funds under its sponsorship.

American Business Shares which now has assets of approximately $33,000,000, will follow "a policy of full investment in income-producing securities," with investments diversified at all times among equities and bonds. Common and preferred stocks "are held to a maximum of 85% of the portfolio and a minimum of 50% thereof; bonds are held to a maximum of 50% and a minimum of 15%."

Affiliated Fund, with current assets of approximately $28,000,000, of which $10,000,000 represents senior capital, will maintain a fully invested position in common stocks but the leverage factor will be reduced as the market advances. With the Dow-Jones Average at 175 the maximum percentage of leverage will be 33⅓% and will be reduced gradually to 10% with the Dow-Jones Average at 275. Should the Average reach 300, all leverage will be eliminated. A reverse policy will be followed in declining markets.

Union Trusteed Funds, with total assets of more than $8,000,000 in the five separate funds in this group, will maintain a fully invested policy in each of the individual funds. "In the case of Union," **writes Lord, Abbett,** "the responsibility is left with the dealer to shift his clients' funds from one class to another as economic conditions change, or as the individual circumstances of the investor require."

Steel Stocks

Hugh W. Long & Co. has published an unusual type of memorandum on the Steel Industry. The memo looks like a proof of a feature article for a newspaper financial page and is entitled "Electric Power Executives Are Bullish on Post-War Outlook for Steel Industry." The article which follows elaborates on this title and is based on a 67-page report by the Edison Electric Institute.

"You can obtain a diversified, supervised steel investment," writes the sponsor, "through the **Steel Industry Series of New York Stocks, Inc.**

V-J Day Analyzed

National Securities & Research Corp., in the current issue of its weekly Investment Timing service, analyzes V-J Day—its probable effect on business and security prices. The subject is approached on the basis of three possible developments: (a) early peace, (b) peace in 6-9 months, (c) peace in two years. With respect to all three, the conclusion reached is that over the longer term the result will be bullish.

The intermediate trend of stock prices as seen by this service is "in a downward direction. The present rally should carry somewhat further, but after the initial rebound a test of the recent lows would appear probable. If the lows do not hold, we would expect only a moderate extension of the decline. The long-term outlook is for substantially higher prices."

First Half Sales

Distributors Group has sent out a letter showing sales of **Group Securities, Inc.,** for the first half of 1945 in comparison with the sales reported by the National Association of Investment Companies for all 70 open-end member funds during this period. The tabulation is divided between 52 general portfolio funds and 18 bond and specialty funds. Total sales for all categories amounted to $136,229,000, of which Group Securities accounted for $26,265,000, or approximately 20%. Net sales after repurchases amounted to $79,179,000 for all funds and $18,771,000 for Group Securities, Inc., or 24% of the total.

Investment Company Reports

General Investors Trust—Net assets on June 30, 1945, amounted to $2,222,170, equivalent to $6.12 per share. Net unrealized profits as of the close of business on that date were $418,474.

Selected American Shares—Asset value increased 15.4% in the first six months of 1945. The semi-annual report will show asset value of $12,875,477, compared with $10,863,492 on Dec. 31, 1944. Per share asset value rose from $10.53 to $12.15 in the half-year.

Massachusetts Investors Trust—Net assets on June 30, 1945, totaled $184,483,536 of which $44,501,350 represented unrealized appreciation of portfolio securities.

Broad Street Investing Corp.—Net assets totaled $7,399,273 on June 30, 1945, equivalent to $34.07 per share. Unrealized appreciation on the portfolio securities as of this date amounted to $1,933,340.

Mutual Fund Literature

Calvin Bullock—July issue of Perspective containing a discussion of corporate taxes. . . . **Vance, Sanders**—July issue of The Boston Letter, featuring "Lower Costs and Larger Orders." . . . **Distriubtors Group**—A new six-page folder on industrial machinery stocks; a reprint of Barron's recent survey of investment company performance. . . . **Broad Street Sales Corp.**—Current issue of Items. . . . **Keystone Corp.**—New supplementary prospectuses on **Keystone B-4, S-1** and **S-2** revised to July 7, 1945.

Dividends

American Business Shares, Inc.—A quarterly dividend of 4 cents per share, payable Aug. 20, 1945, to stock of record Aug. 6.

Railroad Bond
Shares

A Class of Group Securities, Inc.

Prospectus on Request

DISTRIBUTORS
GROUP, INCORPORATED
63 WALL ST. · NEW YORK 5, N. Y.

NATIONAL
SECURITIES SERIES

Prospectuses upon request

National Securities &
Research Corporation
120 BROADWAY, NEW YORK, (5)

The
Knickerbocker
Fund

for the Diversification,
Supervision and Safe-keeping
of Investments

Prospectus on Request

KNICKERBOCKER SHARES, INC.
General Distributors
20 Exchange Place
New York City 5
Teletype NY-1-2439

MANAGEMENT OF
KARL D. PETTIT & CO.

Keystone
Custodian
Funds

★

Prospectus may be obtained
from your local investment dealer or
The Keystone Corporation
of Boston
50 Congress Street, Boston 9, Mass.

We announce the formation of

INVESTORS STOCK FUND, INC.
INVESTORS SELECTIVE FUND, INC.

Prospectuses on request from
INVESTORS SYNDICATE
MINNEAPOLIS, MINNESOTA

Principal underwriter and investment manager

May, Borg & Co. to Admit A. V. Smith

May, Borg & Co., 65 Broadway, New York City, members of the New York Curb Exchange, admitted Alfred V. Smith to partnership in the firm on July 23. Mr. Smith, who is also a Curb member, was formerly in business as an individual Curb floor broker and was a partner in Frank C. Masterson & Co.

NYSE Firms Employ Personnel Counsellor

With the view to assisting its member firms in the further improvement of their personnel relations, the Association of Stock Exchange Firms, it was announced on July 23, has made arrangements with Miss Jessie Bloodworth, until recently associated with the Second Regional War Labor Board in New York, to serve as employee relations counsellor to the Association and its member firms and their offices located throughout the country.

The announcement states that "there has been an increasing demand * * * for the services of a technically-trained person to assist member firms with their specific problems as well as to give counsel on ways for improving personnel policies and practices generally." Officials of the Association have stated that they consider themselves fortunate in having secured the services of a person with Miss Bloodworth's broad experience who also is familiar with the problems of the financial business.

This is the first instance in the financial district of the employment of a special employee relations counsellor. It is likewise in line with the sentiments expressed by Mr. Schram in his address before the Advertising Club in Baltimore when he stressed the importance of the utmost cooperation between management and labor.

The announcement goes on to say that Miss Bloodworth has been associated with the National War Labor Board since the beginning of the wage stabilization program in Oct., 1942, first in the Dallas Regional Office and later in the National Office in Washington as Senior Economist, before becoming associated with the Board in New York as Chief of the section responsible for handling the wage problems of the financial district, among others.

Before going with the War Labor Board, Miss Bloodworth was employed by the Government in making labor market surveys and public opinion studies in many parts of the country and for three years was Regional Supervisor of Employment, Works Progress Administration, Region II, New York.

Prior to entering the service of the Federal Government, she was associated with the University of Minnesota as Chief of Staff of the Twin City Occupational Analyses Clinic and held the position of State Director of Women's Work, Minnesota Relief Administration and for six years taught in mission schools in China.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Transfer of the membership of the late T. Sloan Young to Karl H. Schewe will be considered by the Exchange on Aug. 2.

Andrew H. Brown Jr., partner in Mitchell, Hutchins & Co., died on July 14.

John Grimm, Irvin Hood, general partners, and Josephine B. Grimm, limited Partner, will retire from Cohu & Torrey as of Aug. 1.

George R. Watkins will retire from partnership in Davies & Mejia on July 31.

Joseph A. Martin Jr., member of the Exchange, will retire from partnership in Goodbody & Co. as of Aug. 2. The firm will continue as Exchange members.

Gaines & Co. to Admit

Gaines & Co., One Wall Street, New York City, members of the New York Stock Exchange, will admit Theresa Gaines to limited partnership on Aug. 2.

acf

AMERICAN CAR AND FOUNDRY COMPANY

FORTY-SIXTH ANNUAL REPORT—YEAR ENDED APRIL 30, 1945

To the Stockholders:

The annexed Consolidated Balance Sheet, Income Account and Statement of Earned Surplus, prepared and certified (as usual) by independent auditors, are submitted as showing the condition of your Company and its wholly-owned subsidiaries at the close of the fiscal year ended April 30, 1945 and the result of their operations for that year.

The amount ($3,335,141.31) shown as Net Earnings Carried to Surplus is after all charges—including depreciation, Federal, State and local taxes, the amortization of so much of the total amount expended by your Company for additions to and extensions of its plant facilities under the National Defense and War Programs as remained unamortized at the close of the preceding fiscal year, and the amount, estimated, to be refunded to the Government under the Congressional legislation, still effective, providing for the "renegotiation" of our war-work contracts completed during the year.

Proceedings for this renegotiation have not yet been instituted and naturally will not be completed for some time to come. Of necessity, therefore, at this time the result of such proceedings can only be estimated. It is the opinion of your Management, however, that in the final result there will be not much, if any, variance from the figures given in the annexed Income Statement as the amount of the net earnings for the year.

As noted on the annexed Consolidated Balance Sheet, a sum in excess of Thirteen Million Dollars has been expended by your Company, out of its own resources, in the extension of its facilities made necessary by the urgency of the demands upon its capacity as a producer of materiel needed for the prosecution of the war. Obviously it became advisable that these extraordinary expenditures be written off as speedily as possible consistent with the present and future welfare of your Company—and this has been accomplished by the yearly charge against income of an appropriate proportion of the total sum so expended. Naturally the completion of this amortization will be reflected in the income account for the current and future years to the extent that income for such years will be relieved from this burden of amortization.

During the year there was successfully completed the merger of The Brill Corporation and American Car and Foundry Motors Company, in both of which concerns your Company held very substantial interests—as a stockholder in both companies and as a creditor of the Motors Company to the extent of almost Six Million Dollars. As a result of the merger there has been established ACF-Brill Motors Company in which your Company holds a large stock interest, short, however, of a majority of the shares outstanding. In connection with this merger your Company received, in cash and securities (debentures, stock and stock-warrants) from ACF-Brill Motors Company, survivor of the companies merged, an amount which, based as to the securities on their quoted market value at the close of our fiscal year, was more than sufficient to pay in full not only your Company's claim as such creditor but also more than sufficient to pay out in full the cost of your Company's entire investment in the Brill enterprise.

There was charged off during the year, and charged to reserve years ago set up for such purpose, a substantial sum representing the loss sustained in disposing of certain Cuban investments long carried in your Company's portfolio. While these investments were closed out during the year at a sum substantially less than their cost, yet the average of the prices at which they were disposed of was the highest at which they had been quoted on the market for a number of years prior to their disposal.

Your Company's participation in our country's war effort began in October, 1939, at which time there was awarded to it the "pioneer" tank contract—this for the making of three hundred twenty-nine light combat military tanks, the first of the more than fifteen thousand such tanks in all made and delivered by it. Since that date and down to April 30, 1945, the close of the fiscal year then ended, your Company and its two wholly-owned subsidiaries, Carter Carburetor Corporation and American Welding Company, have booked "war work" orders of a total money value of more than One Billion Dollars. The time has not yet arrived for a complete portrayal of the highly important part your Company has played, and is playing, as a contributing factor to the winning of the war. That will come later when the clash of arms shall have ceased and peace has once again been restored to this war-troubled world—and as soon as circumstances will permit the entire picture, complete in all details, will be submitted to our stockholders.

In the letter accompanying the report for the preceding year, that ended April 30, 1944, reference was made to the then-changing character of the war, necessitating a change in the implements needed for its waging—as a result of which there had been some "cutbacks" in your Company's scheduled deliveries of certain materiel which it was then under contract to produce. At that time, such cutbacks were not serious in nature or amount and were to a considerable extent compensated for by increases in and additions to other schedules. Since then, however, following the successful landings on the beaches of Normandy in June 1944, with "V Day" for the war in Europe inevitable and clearly in sight though actually not attained until after the close of our fiscal year, the situation has changed—and, in common with practically all other American concerns engaged in war work, we have had some additional cutbacks, some repricings, some terminations and some extensions of scheduled deliveries. And such are still in the process of making.

As of April 30 last, the close of our fiscal year, the money value of work on our books was in excess of Two Hundred and Eight Million Dollars, of which total approximately One Hundred and Sixty Million Dollars was the money value of work properly falling into the category of "war work". To what extent that amount will be increased or lessened by reason of the changed, and changing, character of the war with the corresponding changes in the nature and amount of the materiel your Company may be called upon to supply, it would at this time be hazardous to venture a prediction. It would seem, however, to be a safe assumption that until the defeat of our remaining enemy, Japan, is an accomplished fact, your Company with its great productive capacity and its splendid record of past performances, will be called upon to be a prime contributor to the accomplishment of that defeat.

With the war in Europe victoriously ended, there remains the task of rehabilitating the regions devastated by its waging,—and in such work our own country will be called upon to play the major part. Of particular urgency in this regard is the restoration of the means of transportation, both motive power and cars. At this writing there are contracts in the making for many thousand freight cars, to be purchased by our Government and to be supplied by it for use abroad—and of this business your Management expects that your Company will get its full share.

In the domestic field, the needs of our railroads for equipment—motive power and cars, both passenger and freight—remain pressing and to a great extent unrelieved. The productive capacity of the equipment-making industry of our country will be heavily taxed in meeting the requirements of the program of our Government, referred to above, for the building of equipment for use abroad. While, as already said, it is expected that your Company will get its full share of the business arising out of this Governmental program, your Management is keenly alive to the needs of our own roads—and, with its numerous plants and unexcelled facilities for production, your Company is in excellent condition to respond, quickly and effectively, to whatever demand may be made upon it to supply such needs.

Inevitably with the final coming of peace—(and this may be sooner than many are now inclined to believe)—there will be the problems of the reconversion of our activities to a peacetime basis and the extension of their utilization into new fields of endeavor—and to these problems your Management continues to give thought and study. With your Company, the problem of reconversion will be less serious than to many concerns whose activities during the past few years have been given over entirely to war work—while your Company, because of the number and location of its plants, has been able, tho' in modified degree, to continue its ordinary peace-time operations. In its study of the post-war activities of your Company, your Management is convinced that we should engage only in such as are within the limits of our capacity, resources and experience—and this presents a sufficiently broad field.

The Stockholders may be assured that both of the problems here referred to will continue to receive the unremitting attention of your Management.

At the date of this writing there have been declared and paid, out of the earnings of the year just closed, three dividends, each of 1¾% upon our Preferred Stock. It is expected that out of such earnings, there will shortly be declared another dividend of like amount upon that stock—thus completing the payment on our Preferred Shares of the full amount of dividend, at the rate of 7% for the year, warranted by the year's earnings. It is expected also that, following the declaration of such dividend upon our Preferred Shares, there will be declared a dividend upon our Common Shares outstanding.

During the year Mr. William L. Stancliffe, because of the condition of his health, was compelled to resign his position of Vice President in charge of Sales, and has been succeeded in that position by Mr. R. Arthur Williams, a Vice President of your Company. Mr. Stancliffe remains a member of your Company's Directorate and will serve as a consultant to the Sales Department. Since the close of the year Mr. Victor R. Willoughby, after practically an entire lifetime of service with your Company, has resigned his position as one of its Vice Presidents, being impelled to do so by the condition of his health.

Once again your Management makes of record its deep appreciation of the loyal and efficient service given during the year by each and every member of your organization, all of whom have, as always, been unremitting in their devotion to the interests of your Company and its Stockholders.

In the letter accompanying the report for the fiscal year ended April 30, 1944 it was said:

> "With no fixed debt, with no bank or other loans outstanding, and with resources ample to meet all of its obligations whether present or prospective, the strong, healthy and liquid condition of your Company continues unimpaired, and there is no reason to fear any change in that regard"—

and what was there written is entirely applicable to the present condition of your Company.

For the Board of Directors:
Respectfully submitted.
CHARLES J. HARDY, *Chairman.*
July 3, 1945.

CONSOLIDATED BALANCE SHEET APRIL 30, 1945

ASSETS

*PLANT AND PROPERTY ACCOUNT			$58,120,181.98
Land and Improvements		$ 7,594,931.92	
Buildings, Machinery and Equipment	$78,022,230.83		
Less: Amortization and Reserve for Depreciation	46,518,872.42	31,503,358.41	
Intangibles		19,021,891.65	
CURRENT ASSETS			131,601,694.92
Cash in banks and on hand		$15,940,168.23	
U. S. Government Bonds, Treasury Bills and Treasury Tax Notes at cost. (Quoted market value $69,374,141.81)		69,373,604.00	
Accounts Receivable, less reserve		13,068,815.14	
†Notes Receivable, less reserve		757,021.09	
Inventories at cost or less, and not in excess of present market prices		29,551,415.58	
Advance payments to Vendors for materials contracted for		48,093.28	
Marketable Securities, at cost or less (Quoted market value $3,279,756.19)		2,862,577.60	
SPECIAL RESTRICTED DEPOSITS (U. S. GOVERNMENT CONTRACTS)			3,361,308.04
PREPAID TAXES, INSURANCE, ETC			486,119.46
MISCELLANEOUS SECURITIES, less reserve			175,051.90
SECURITIES OF AFFILIATED COMPANIES, less reserve			6,543,653.08
POST WAR CREDITS ON EXCESS PROFITS TAXES (estimated)			5,881,330.00
ACCOUNTS RECEIVABLE OF AFFILIATED COMPANIES			81,479.02
TREASURY STOCK AT COST			533,399.75
10,550 shares of Preferred Capital Stock 600 shares of Common Capital Stock			
			$206,784,218.15

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*Plant and Property of parent Company included in above valuations were inventoried and valued by Coverdale & Colpitts, Consulting Engineers, as of April 30, 1939, on the basis of values at March 1, 1913, with subsequent additions at cost. Plant and Property of Subsidiary Companies are included at cost. Plant and Property includes $13,493,193.24 represented by expenditures for extension of plant facilities under the National Defense and War Programs; aggregate amortization thereon has been taken in the full amount of $13,493,193.24 to April 30, 1945. †Includes $712,115.73 maturing subsequent to one year.

LIABILITIES

CAPITAL STOCK		
Preferred, authorized and outstanding (300,000 shares—par value $100.00 per share)		$ 30,000,000.00
Common, authorized and outstanding (600,000 shares—no par value)		30,000,000.00
CURRENT LIABILITIES		90,054,666.47
Accounts Payable and Pay Rolls	$12,939,513.74	
Provision for Federal, State and Local Taxes, including (estimated) amounts of refunds through renegotiation under the provisions of the War Profits Control Act, through April 30, 1945	77,043,754.27	
Advance payments received on sales contracts	71,398.46	
ADVANCES ON GOVERNMENT CONTRACTS		6,192,200.00
RESERVE ACCOUNTS		13,025,896.09
For Post War Reconversion, Insurance and Contingencies, including possible tax and other adjustments	$12,290,151.35	
For Dividends on Common Capital Stock, to be paid when and as declared by Board of Directors	735,744.74	
EARNED SURPLUS ACCOUNT		37,511,455.59
		$206,784,218.15

Contingent Liability:
Secured obligation of Shippers' Car Line Corporation sold with guarantee; aggregate amount $628,953.36.

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Consolidated Earned Surplus, April 30, 1944		$ 34,700,964.28
Add: Net Earnings for year		6,335,141.31
		$ 41,036,105.59
Less: Dividends on Preferred Capital Stock publicly held $7.00 per share, paid during year (See Note 1)	$ 2,026,150.00	
Dividend on Common Capital Stock publicly held $2.50 per share	1,498,500.00	3,524,650.00
Consolidated Earned Surplus, April 30, 1945		$ 37,511,455.59

Note 1: Dividends on Preferred Capital Stock paid during the year: $3.50 per share out of earnings for the year ended April 30, 1944; $3.50 per share out of earnings for the year ended April 30, 1945.

Note 2: During the fiscal year ended April 30, 1945, a net long-term loss amounting to $1,059,619.48 on sales of securities was charged to applicable reserve, and is not reflected in the above statements.

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

Gross sales, less discounts and allowances, and giving effect to adjustments (estimated) of sales prices through renegotiation under the provisions of the War Profits Control Act		$199,755,178.96
Cost of goods sold, including Administrative, Selling and General Expense, but before Depreciation and Amortization		172,006,702.72
		$ 27,748,476.24
Depreciation and Amortization		4,157,870.32
Earnings from Operations		$ 23,590,605.92
Other Income:		
Dividends	$ 139,128.46	
Interest	1,240,331.23	
Royalties	7,221.17	
Miscellaneous	5,039.86	1,391,720.72
		$ 24,982,326.64
Other Charges:		
Interest	$ 175,900.11	
Royalties	463,679.47	
Miscellaneous	284,947.32	
Loss on Property Retirements	311,484.29	1,236,011.19
Net Earnings before Provision for (estimated) Federal Income Taxes		$ 23,746,315.45
Deduct — Provision for (estimated) Federal Income and Excess Profits Taxes:		
Normal income tax	$ 2,134,778.79	
Excess profits tax	16,973,195.35	
	$19,107,974.14	
Less: Post War Credits (estimated) on Excess Profits Taxes	1,696,800.00	17,411,174.14
Net Earnings Carried to Surplus		$ 6,335,141.31

ERNEST W. BELL AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 Beaver Street, New York

To THE STOCKHOLDERS OF
AMERICAN CAR AND FOUNDRY COMPANY,
30 CHURCH STREET, NEW YORK CITY.

We have examined the Consolidated Balance Sheet of the American Car and Foundry Company and its wholly-owned subsidiaries as of April 30, 1945, and the Consolidated Statements of Income and Surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies, and without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We were unable to confirm by direct correspondence amounts due from the United States Government, but have satisfied ourselves as to their correctness by extending our tests of the accounting records pertaining to such receivables.

In our opinion, the accompanying Balance Sheet and related Statements of Income and Surplus present fairly the consolidated position of the American Car and Foundry Company and its wholly-owned subsidiaries at April 30, 1945, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Yours very truly,
ERNEST W. BELL AND COMPANY
July 2, 1945

CANADIAN BONDS

GOVERNMENT
PROVINCIAL
MUNICIPAL
CORPORATION

CANADIAN STOCKS

A. E. AMES & CO.
INCORPORATED

TWO WALL STREET
NEW YORK 5, N. Y.

RECTOR 2-7231 NY-1-1045

CANADIAN STOCKS

Bought—Sold—Quoted

CHARLES KING & CO.
Members Toronto Stock Exchange
61 Broadway, New York 6, N. Y.
WHitehall 4-8980

Reynolds Tobacco Preferred Shares on Market

A syndicate headed by Dillon, Read & Co., Inc., and Reynolds & Co. on July 24 offered 381,940 shares of the R. J. Reynolds Tobacco Co.'s 3.6% preferred stock at $100 a share and accrued dividends. The investment banking group comprises 134 firms. The shares are part of a block of 490,000 covered by subscription warrants issued by the company to holders of common and new class B common stock, on which the rights to subscribe expired July 21.

Net proceeds of the financing will be added to working capital. The need for additional working capital has increased materially owing to the higher prices of leaf tobacco and the greater volume of business, the company explained. Previously it obtained additional working capital through bank loans, the need for which will be reduced as a result of the stock financing, according to the prospectus.

The new preferred will be redeemable at 103½ until June 30, 1948, at 102½ for the next three years, at 101½ for the following three years and at 101 after June 30, 1954.

Net sales of the company in 1944, including revenue stamps on finished products, amounted to $387,997,688. Camel cigarettes accounted for 86% of the total.

Admiral Corp. Common Stock Offered at $12.50

A banking group headed by Dempsey & Co., of Chicago, on July 23 offered 150,000 shares of Admiral Corp. common stock (par $1) at $12.50 a share. Of the shares being offered, approximately 75,000 are from the company. The proceeds to the company are to be used for increased post-war expansion in the radio field as well as in the electric refrigerator, electric range and home freezer business.

Canadian Funds in New York

Under this title we have prepared a chart covering the period JAN. 1, 1919, TO JUNE, 1945 which records monthly high and low averages of the Canadian Dollar in terms of the United States Dollar.

Copy available upon written request.

Wood, Gundy & Co.
Incorporated
14 Wall Street, New York 5
Toronto Montreal Winnipeg Vancouver London, England

Canadian Securities

By BRUCE WILLIAMS

Exaggeration invariably induces its own cure. The U. S. Government bond market, the action of which has an important bearing on the behavior of all high grade securities, including Canadians, has arrived at a stage of considerable doubt and uncertainty.

The ostensible reasons advanced for this state of affairs are: a change in the office of the Secretary of the Treasury, the possibility of an imminent final victory, and discussion regarding the desirability of raising the Federal Reserve rediscount rate. The effect of the foregoing influences, however, could have been very slight, had the technical position of the market been less vulnerable.

Despite the clamor of hard money enthusiasts, which always arises during periods of doubt, it is not logical at this critical stage to anticipate any reversal of the low interest trend. On the other hand, the recent abrupt accentuation of the downward course of interest rates was unwarranted, and the hitherto smooth working of an established pattern was interrupted by an excess of enthusiastic speculation.

Erstwhile cautious investors and those who properly attached importance to judicious spacing of maturities, proceeded with joyous abandon to replace short terms by the longest maturities permissible. The last issued 2s rapidly acquired a premium of 3½ points, the new 1½s overnight became 1¼s. Temporary control of the market passed to those who are presumptous enough to state definitely today what a particular security will be worth many years hence.

Consequently, it is reasonable to expect that a healthy reaction might be induced, which will not basically affect the established low interest pattern. It will be remembered that when "rights" a few years ago acquired an exaggerated premium of 3½ points, the market was corrected, as a result of which the short term rates hardened and the controlling authorities obtained a useful "masse de manoeuvre" following a healthy bout of liquidation which did not prevent the operation of the declining interest trend.

Fortunately for the Canadian market, the recent orgy of yield destruction in the U. S. Government bond market coincided with the period preliminary to the Canadian federal elections. Consequently, investors remained on the sidelines and yields on Canadian high grade externals have not reflected any change.

As a result of the recent currency scare the available supply of external bonds from Conada is almost exhausted, and those which have come down are in strong hands. Any recent speculative interest has been centered in internal bonds, and thus the technical position of the market for external bonds remain very sound.

Turning to the market for the past week, prices were relatively unaffected by the general setback to investment enthusiasm. High grade externals were virtually unchanged on a very small turnover, but Albertas were quite active at higher levels following the formal offer to bondholders to deposit their securities under the Debt Reorganization program of the province.

Internals continued dull and buying based on imminent parity prospects has virtually ceased with normal seasonal demands accounting for the firmness of the Canadian dollar in the free market. Mining issues were fairly active, with Yellowknife golds attracting renewed interest following favorable mining activity on the Giant Yellowknife property.

With regard to future prospects there is still little to suggest any resumption of general market activity, and with the technical situation basically sound, any weakness in other investment markets should not readily affect the high grade Canadian section.

Canadian Crop Conditions

Because of a lack of moisture, indications point to light yields in some fairly large areas of Alberta and Saskatchewan, but crops generally are now making rapid progress in Canada's Prairie Provinces, according to the Bank of Montreal's crop report, released for publication July 19. In the Province of Quebec, the growth of grains has shown improvement and a fair yield in is prospect. Heavy rains during the week retarded harvesting conditions in Ontario, but fall wheat is filling and coloring well and a good yield is anticipated. Total yields of spring grains may be below average. In the Maritime Provinces grains have shown good growth during the past week, while two weeks of warm weather throughout British Columbia have materially benefited all crops.

TAYLOR, DEALE & COMPANY
64 WALL STREET, NEW YORK 5
WHitehall 3-1874

CANADIAN SECURITIES
Government · Provincial · Municipal · Corporate

American Car and Foundry Co. Earns $7.18 on Common

The 46th annual report of American Car & Foundry Co. and wholly-owned subsidiaries, made public July 21 by Charles J. Hardy, Chairman, for the fiscal year ended April 30, 1945, shows net earnings of $6,335,141 after charges and taxes, including amortization of expenditures for additions to and extensions of war plant facilities, and after provision for renegotiation refunds. This was equal, after preferred dividends, to $7.18 per share on the 600,000 shares of common and compares with net earnings of $5,591,832 in the 1944 fiscal year when the carnings on the common were $5.95 per share.

Gross sales, less discounts and allowances, aggregated $199,755,179 compared with $218,834,838. Federal income and excess profits taxes, less estimated post-war credits on excess profits taxes of $1,696,800, are estimated at $17,411,174, compared with $17,427,770 after estimated post-war credits on excess profits taxes of $1,684,530 in 1944.

Consolidated earned surplus as of April 30, 1945, was $37,511,456 against $34,700,964 on April 30, 1944.

The consolidated balance sheet shows total current assets of $131,601,695 and total current liabilities of $90,054,666. These figures compare with current assets of $138,077,007 and current liabilities of $104,452,148 in 1944.

Mr. Hardy says in his letter to the stockholders that the money value of work on the company's books was in excess of $208,000,000, of which $160,000,000 was the money value of "war work." Contracts are in the making for many thousand freight cars to be purchased by the Government and supplied by it for use in the regions devastated by the European war, and the company expects to get its full share of this business.

As to reconversion, Mr. Hardy says that the problem will be less serious than to many concerns whose activities during the past few years have been given over entirely to war work.

In common with practically all other American concerns engaged in war work, the company has had some additional cutbacks, some repricings, some terminations and some extensions of scheduled deliveries. Since Oct., 1939, when the company was awarded the "pioneer" tank contract, down to April 30, 1945, the company and its two wholly-owned subsidiaries have booked war work orders of more than $1,000,000,000.

Moseley Group Offers Standard Oil (Ohio) Pfd.

F. S. Moseley & Co. on July 25 headed an investment banking group which offered publicly 200,000 shares of the Standard Oil Co. (Ohio) 3¾% cumulative preferred stock, series A (par $100). The offering price was $100 per share.

Proceeds from the sale of the preferred stock will be applied to the prepayment of bank loans, notes and mortgages aggregating $4,163,975; to redemption of the outstanding 120,000 shares of 5% cumulative preferred stock, and to redemption of the 19,471 outstanding shares of 4¼% cumulative convertible preferred stock. The balance of net proceeds will be added to the company's general funds.

The new stock is redeemable at $105 a share until July 15, 1947; thereafter at $104 a share to July 15, 1949; thereafter at $103 a share to July 15, 1951; thereafter at $102 to July 15, 1953; thereafter at $101 to July 15, 1955, and thereafter at par. It is callable for the sinking fund at $100 a share. A sinking fund is provided calculated to retire 2% of the aggregate number of shares outstanding each year.

Standard of Ohio has reported that its present net crude oil production is about 21,000 barrels a day, compared with 10,305 last year.

Province of
ALBERTA
(Canada)

Markets maintained on all issues, both internal and external

Direct Private Wires to Buffalo, Toronto and Montreal

DOMINION SECURITIES CORPORATION
40 Exchange Place, New York 5, N.Y.
Bell System Teletype NY 1-702-3

Ruppert Brewery Shares Offered to the Public

The first public distribution of stock by Jacob Ruppert in the history of the company was made July 25 when an underwriting group headed by the First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane offered 34,550 shares of 4½% cumulaitve preferred stock ($100 par) and 150,000 shares of common (par $5). The preferred stock was priced at $103.75 a share and accrued dividends and the common at $18.25 a share.

Except for 15,000 shares of the preferred, which are being offered by the company, all the preferred stock is being sold by the company's five stockholders, including the estate of Jacob Ruppert, which also is selling the 150,000 common shares and will cease to be a stockholder. Proceeds to be received by the company from the 15,000 preferred shares will be used, with other company funds to redeem $2,096,000 of 5% debentures due in 1950.

The company, one of the leading brewers in the United States, was founded by Jacob Ruppert as a private enterprise in 1867. Since 1910, when the organization was incorporated, all stock has been held by members of the Ruppert family. George E. Ruppert, son of the founder, has been associated with the company all his business life and has served as President since 1939.

Upon completion of the present financing the company will have outstanding 35,000 shares ($100 par) cumulative preferred stock and 500,000 shares of common ($5 par).

Consolidated net sales in 1944 totaled $20,916,228. Net income for the period was $713,905 after deduction of extraordinary and nonrecurrent charges of $460,225, including $234,509 loss on the sale of property not used in the business. The consolidated balance sheet as of March 31, 1945, showed total assets of $15,544,600. Total current assets of $7,414,833 on that date compared with total current liabilities of $2,717,969.

League of Nations Reports Continued Rise in World Money Circulation

Recent Bulletin Reports Some Slow Down in About Half of Nations, but a Marked Acceleration in Others, Particularly in Greece, Hungary, Italy, Turkey and Japan. Industrial Share Prices Show Divergent Movements, but Continue Upward in U. S., Canada, and Great Britain.

A recent issue of the "Monthly Bulletin of Statistics" published by the Economic and Financial Department of the League of Nations reports that the monetary expansion generated by the wartime conditions continued generally during 1944. But in many countries this rate of increase was slackening while in others it remained about the same as in 1943; only in comparatively few cases did a marked acceleration of the increase take place in 1944.

During the war note circulation as a rule has increased more rapidly than commercial bank sight deposits and in nearly all countries, sight deposits more rapidly than time deposits.

How great has been the wartime expansion in the means of payments is apparent from a comparison of the data for the end of 1944 with those for July, 1939. As the relative importance of note circulation and commercial bank sight deposits, respectively, varies widely from country to country, it is only by considering their sum that the actual expansion in the means of payment can be determined. During the above period of nearly 5½ years note circulation and commercial bank sight deposits combined increased a millionfold in Greece, about 800% in Iraq and to much the same extent in Italy, about 450% in India and Finland, and somewhat over 300% in Mexico and Denmark. By contrast, in neutral Switzerland and Sweden this increase amounted to 77% and 105%, in the Argentine to 142%, and in the United States and the United Kingdom to 146% and 149%.

Note circulation alone (corresponding deposit data not available) increased a millionfold in Greece, by over 1,100% in Hungary and Italy, by 631% in Japan, 447% in Germany, 390% in the Netherlands, 362% in Turkey, 265% in France, and 261% in Portugal.

The rate of growth in the means of payments slowed down during 1944 in half the number of countries under review and most conspicuously in Iraq, India and New Zealand, in Portugal and France, and in Canada, the United States, Mexico and Venezuela. On the other hand, an equally marked or even more pronounced acceleration of the rate of increase took place during that year in Greece, Finland, Hungary, Rumania, Italy, Turkey and Japan. In Germany the note circulation of the Reichsbank increased by approximately 50% in 1944.

In one country shown, namely Belgium, was an actual contraction in the volume of currency effected in 1944. After the liberation of that country, the withdrawal of the notes then circulating and their replacement by new bank notes was decreed in October. By February, 1945, the value of the new issues amounted to some 50 milliard francs as compared with 100 milliards in old notes outstanding at the end of August, 1944, and 83 milliards at the end of 1943.

Industrial Share Prices

The prices of industrial shares showed divergent movements in different countries during 1944 and the early part of 1945, according to the index numbers of the market value of industrial shares given in one of the standing Bulletin tables.

The market value of industrial shares in the United States and Canada started to rise fairly continuously, except for a slight relapse in the early autumn, as from April, 1944, the total increase up to April, 1945, amounting to 20% in Canada and 21% in the United States; however, the Canadian index then stood 3% under the pre-war average, while the United States index exceeded that average by 26%. The index for the United Kingdom moved similarly, but the decline in September due to anxiety over industrial reconversion problems was somewhat sharper and the subsequent recovery slower; indeed, in March, 1945, the index was still one point below the August, 1944, peak, although 12% higher than a year previous and 32% above the pre-war average. The second index given for the United Kingdom, which includes shipping shares, recovered more completely, and in March, 1945, stood higher than in any month of 1944, and was then 46% over the pre-war average.

The restrictions to which stock transactions in Germany have been subjected since 1941 have deprived the German index of true significance. Japanese share values in May, 1944 (latest index number available), were 9% lower than at the beginning of that year, 10% below the pre-war average, and 6% below the average for 1942.

In Denmark and Finland industrial share values reached a peak in May, 1944, and in France about the middle of last August at levels 54%, 115% and 556%, respectively, above the pre-war average. Subsequently declines were registered amounting to 11% in Denmark and 15% in Finland up to February, 1945, and to 25% in France up to the end of 1944.

In Mexico the index of industrial share prices reached a peak in June, 1944, 381% above the pre-war average, and then dropped 9% in the following three months; there was, however, a slight recovery towards the end of the year. In Chile the index, which had been declining slowly since the middle of 1943, stood in February, 1945, 2% under the pre-war level and 9% below the average of 1943. The index for Venezuela is shown to have risen steadily from June, 1944, to February, 1945, the total increase amounting to 20%, and the index for Colombia (which includes also banking shares) to have risen between May, 1944, and January, 1945, by 24%, but the index for Uruguay was a point lower in February, 1945, than in the same month of 1944.

Among the neutrals, the Swedish index rose from 116 (January-June, 1939, equals 100) in June, 1944, to 135 in March, 1945, whereas the Swiss index, on the same basis, fell from 104 in August, 1944, to 88 in March, last. Meanwhile the Irish (Eire) index, which had been rising almost continuously since the middle of 1941, mounted another 6% during the 12 months ending March, last, and then stood 25% over the pre-war level; this index, however, covers also banking, commercial shipping and other shares.

The index for Australia remained stationary during the first three-quarters of 1944 and then rose slightly, whereas the index for New Zealand declined somewhat from the peak figure in July; early in 1945 the Australian index stood 15% and the New Zealand index some 30% above the pre-war average.

Basic Production in France and Belgium

The disruption in European industry caused by the war is exemplified by the figures for coal, pig-iron and steel production of France, excluding Alsace-Lorraine, and Belgium, which are given in another of the regular Bulletin tables.

In France, excluding Alsace-Lorraine, average monthly production of coal rose from 3,402 thousand metric tons in 1938 to 3,538 thousand tons in 1943; but in October, 1944, only 1,400 thousand tons were produced, while the following December's output amounted to 2,323 thousand tons, or about two-thirds of the monthly average output in 1938. Pig-iron and steel production fared worse. The monthly average production of pig-iron fell from 315 thousand metric tons in 1938 to 117 thousand tons in 1943; in June, 1944, the month of the Normany landings, output was only 67 thousand tons, in September, 7 thousand tons, and in November, 12 thousand tons. The monthly average production of steel dropped from 341 to 195 thousand tons between 1938 and 1943; in June, 1944, steel production was 75 thousand tons, in September, 8 thousand tons, and in January, 1945, 53 thousand tons, or 15% of the average monthly production in 1938.

In Belgium, between 1939 and 1943, the monthly average output of coal had fallen from 2,487 to 1,979 thousand metric tons, of pig-iron from 256 to 133 thousand tons, of steel from 259 to 137 thousand tons. In April, 1944, a further sharp drop in production took place, and by September output of coal was down to 173 thousand tons, of pig-iron to 5 thousand tons, and of steel to about one thousand tons. A subsequent recovery brought production in December up to 1,092 thousand tons of coal, 30 thousand tons of pig-iron, and 12 thousand tons of steel.

NOTE CIRCULATION AND COMMERCIAL BANK SIGHT DEPOSITS PERCENTAGE INCREASE

Country—	1943	1944	July, 1939-Dec., 1944
Note Circulation Plus Sight Deposits			
Iraq[1]	76	21	836
Finland	11	32	457
India	48	21	437
*Mexico	52	24	320
Denmark	29	30	307
Peru	26	25	265
Canada	23	12	251
Australia	27	22	233
Brazil	42	27	[2]214
*Un. of So. Africa	18	15	207
Colombia	21	38	198
New Zealand	20	8	152
*United Kingdom	13	13	149
Chile	23	16	148
United States	24	11	146
Argentina	18	25	142
Sweden	12	11	105
*Venezuela	26	12	[3]97
Switzerland	12	12	[3]77
Ireland[1]	11	10	73
Note Circulation Only[4]			
Hungary	[5]54	[5]156	1,114
Japan	40	85	631
Germany	35	47	447
Netherlands	[6](15)	46	390
Turkey	9	20	362
France	31	14	265
Portugal	26	9	261

*Data employed for note circulation refer to notes (also coin in Mexico and Venezuela) in the hands of the public.

[1] Iraq, Ireland: note circulation plus total deposits. In Iraq, sight deposits constitute about 80% of total deposits. [2] Brazil: June, 1939,-December, 1944. [3] Venezuela (notes), Switzerland (deposits): June, 1939, figures employed. [4] Percentage increase in note circulation plus sight deposits, 1943: Hungary 45% (Nov., 1942,-Nov., 1943); Japan 27%; Germany 31%; Netherlands 18%; Turkey 13%; France 28%; Portugal 25%. [5] Hungary percentage increase November, 1942-November, 1943, and November, 1943,-November, 1944. [6] Netherlands: early in 1943 a substantial proportion of notes issued ceased to be legal tender and were withdrawn from circulation.

This is under no circumstances to be construed as an offering of these Debentures for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Debentures. The offer is made only by means of the Prospectus.

$175,000,000

American Telephone and Telegraph Company

Thirty-Five Year 2¾% Debentures

Dated August 1, 1945 *Due August 1, 1980*

Interest payable February 1 and August 1 in New York City.

Price 100% and Accrued Interest

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Debentures in compliance with the securities laws of the respective States.

MORGAN STANLEY & CO.

BLYTH & CO., INC. THE FIRST BOSTON CORPORATION GOLDMAN, SACHS & CO.

HARRIMAN RIPLEY & CO. *Incorporated* KIDDER, PEABODY & CO. LAZARD FRERES & CO.

LEHMAN BROTHERS SMITH, BARNEY & CO. STONE & WEBSTER AND BLODGET *Incorporated*

UNION SECURITIES CORPORATION A. G. BECKER & CO. *Incorporated* W. E. HUTTON & CO.

LEE HIGGINSON CORPORATION F. S. MOSELEY & CO.

PAINE, WEBBER, JACKSON & CURTIS DEAN WITTER & CO. WHITE, WELD & CO.

July 24, 1945.

Reconversion Tax-Reducing Provisions

(Continued from first page)

the necessity for particular tax provisions. For today's fare, however, I am sure your appetites are already sufficiently whetted, and I must be on my guard lest the tax-reducing provisions of the Internal Revenue Code available during the reconversion period be made to appear too tempting.

I should like to make it perfectly clear at the outset that the tax-reducing provisions which I am going to discuss this afternoon are those now in effect under existing law. We are, of course, all free to speculate upon the tax reductions which may be anticipated following victory in the Pacific. I would prefer, however, to stay clear of this field of speculation today and to confine my remarks to existing realities.

The wartime revenue acts were, of course, primarily designed to finance the war effort. They were revenue-raising statutes which necessarily cut deeply into the disposable income of both individual and corporate taxpayers. The inhibitory effects which high taxes might have upon consumption, investment and employment were not matters of great concern at a time when Government orders were keeping industry operating under forced draft. The concern then was over the possibility that there might be too much rather than too little private spending, and with finding men for jobs rather than jobs for men.

Nevertheless, even at the time when they were preoccupied with war finance, the Treasury and the Congress did not lose sight of the inevitable readjustments which would follow ultimate victory. In appearing before the Ways and Means Committee early in 1942, Secretary Morgenthau pointed out that after the war there might well be a need for a large volume of expenditure in readjusting industry and maintaining employment. He suggested that taxes on corporations in excess of 80 cents on each dollar of profit should be held by the Government to the account of the corporation and be returned following the cessation of hostilities.

In giving effect to these and other suggestions for the assistance of business during the reconversion period, the Congress wrote into the wartime revenue act a number of provisions which will result in substantial post-war refunds. These are the provisions which I shall discuss with you this afternoon. Specifically, they include (1) the carryback of unused excess-profits credits and of business losses, (2) the post-war credit or refund of 10% of the excess-profits tax, and (3) the recomputation of amortization deductions arising from the issuance of certificates of non-necessity. I shall not attempt to discuss refunds arising under Section 722 of the Internal Revenue Code. Although many of these refunds will undoubtedy be made during the post-war years and may accordingly facilitate reconversion, this will come about only as an incidental result of the attempt to arrive at a correct standard for the measurement of excess profits. In addition, I shall discuss briefly the position which is being taken by the Bureau of Internal Revenue with respect to the allowance of reconversion costs as deductions from current income.

II. The Carryback Provisions

Although the important contributions which the carrybacks will make to facilitating reconversion are now widely appreciated, the inclusion of these provisions in the 1942 Act was all but unnoticed by businessmen. In fact, I doubt whether any major provisions in this voluminous act were given less attention at the time by tax laymen. This indifference of businessmen to the carrybacks can in part be explained by the fact that, except in a few rare cases, they had no immediate effect on tax liabilities; but I suspect that an even better explanation can be found in the failure of most taxpayers to grasp the true meaning and significance of these rather novel provisions. It was not until early 1944 that any widespread publicity was given to the uses which might be made of them.

A. The Circumstances Under Which the Carrybacks Were Enacted.

At the time the 1942 Revenue Bill was under consideration there was strong pressure for reserves of one type or another, primarily to take care of certain costs, incident to the earning of wartime income, which might not be incurred until after the cessation of hostilities. Although interest centered on reserves for deferred maintenance and inventory losses, it was recognized that an equally strong case could be presented for reserves to cover other deferred expenses such as reconversion costs and dismissal compensation. These specific reserve proposals were not adopted because of the extreme difficulty of their operation, both from the point of view of the taxpayer and from the point of view of the Government.

Attention was next given to the idea of using omnibus or overall reserves into which could be put 10% or 15% of profits before Federal taxes during the war years. It was contemplated that the funds thus set aside would be currently deductible, and that deferred expenses would be charged against this reserve rather than deducted from income in the year when they were incurred. Any unused portion would go back into the taxable income of the year or years in which the reserve was set up. Upon further consideration of this method by the Treasury and Senate Finance Committee, it became apparent that it would run into some of the same difficulties the specific reserve method ran into. Moreover, it was feared that once such omnibus reserves had been set up and substantial sums had been accumulated in them, pressure would be great for a relaxation of the restrictions upon their use. Ultimately corporations might have recovered these reserves tax free, irrespective of the amount of deferred expense actually incurred. If this happened, it would mean that the omnibus reserve was not a true reserve, but simply an arbitrary method of reducing wartime taxes.

It was then that the Senate Finance Committee asked whether another method could not be developed to permit deferred war costs to have the same tax effects as they would have had if they had been incurred during the war. The carryback of losses and of unused credits was the device suggested by the Treasury and Joint Committee staffs to meet this demand. The carrybacks were thereupon included by the Committee in its amended version of the 1942 Revenue Bill and were ultimately accepted by both houses in the final act.

B. The Purpose and Method of the Carrybacks

The purpose of the carrybacks was to ensure businessmen against the possibility that they would be required to pay high wartime taxes on illusory income. The carrybacks, unlike the special reserve proposals, do not necessarily permit all war-induced post-war costs to be charged directly against wartime income, nor are they limited solely to these costs. They function only in those cases where the tax effect which would follow from such a direct allocation is necessary in order to give taxpayers the full tax benefit to which they are entitled. Specifically, the carryback of unused credits operates in this manner only when war-caused costs reduce earnings below the excess profits credit, and the carryback of losses permits the charging of such costs against the income to which they relate only to the extent they result in losses.

The operation of the carrybacks is very simple in most cases. Take, for example, a case where a corporation with an excess-profits credit of $90,000 and the $10,000 specific exemption earned $150,000 in 1944 and 1945. This company would in both years have to pay a 95% excess-profits tax on $50,000, or $47,500, and a 40% corporate tax on $110,000, or $44,000 for total taxes of $91,500. If, in 1946, the earnings of this corporation fall to $50,000, with the same excess-profits credit of $90,000, it will have an unused credit of $40,000 for that year which can be carried back to increase the 1944 credit to $130,000 ($50,000 plus $90,000). Recomputing the 1944 tax, we find, upon deducting $130,000 plus $10,000, that only $10,000 is subject to excess-profits tax and that $140,000 is subject to the corporation normal tax and surtax. The total tax is accordingly reduced from $91,500 to $65,500 and the difference, or $26,000, will be due the corporation as a refund.

The operation of the loss carryback is much the same, but, given a carryback of the same size as the unused credit, refunds may be more substantial since the offsetting of losses against income may result in refunds of both income and excess-profits taxes. Thus, if the corporation used in my earlier example loses $40,000 in 1946, it will be entitled to a refund of $38,000 on its 1944 taxes, or 95% of its loss.

The carrybacks are applied first to the second preceding and next to the first preceding year. If unused credits or losses more than offset the excess profits or income of these two preceding years, they may then be carried forward against the excess profits or income of the two following years. Thus, the carrybacks and carryforwards together may permit an averaging of income and of income and losses over a period as long as five years. Indeed, under certain circumstances more than five years may be affected since the carryback of losses may give rise to an unused credit in the second preceding year, which in turn may result in an excess-profits tax refund in the fourth preceding year. When both losses and unused credits are carried back, the loss carryback is used first and then the unused credit carryback, if needed.

In order to appraise the adequacy of these adjustments in achieving a fair distribution of wartime tax burdens, it is necessary to understand something of the philosophy of the carryback method. The basic element in the carryback of the unused excess-profits credit is the concept of normal profits. The carryback method is based on the assumption that war-induced post-war costs should be charged against wartime income only to the extent that they contribute to less than normal profits in the year they are incurred. If, despite such costs, a corporation is able to earn more than its normal profits, there would appear to be no inequity in requiring these costs to be charged against current rather than wartime income. Inequities arise under this procedure only if normal profits are incorrectly measured, or if tax rates fluctuate during the period when the carryback is in effect.

To the extent that the excess-profits credit, as defined in the statute, exceeds true normal earnings, the carryback of the unused credit will result in a worse distribution of wartime tax burdens than would result from a direct allocation of war-induced costs. On the other hand, to the extent that the excess-profits credit understates true normal profits, war-induced costs will not receive full adjustment, although a more equitable result will be achieved with them than without them.

Changes in the tax rates during the period when the carrybacks are in effect may result in different tax liabilities from those which would have followed a direct allocation of war-induced costs to the appropriate wartime years. For example, if effective tax rates are increasing, the carrybacks will provide a more generous adjustment than the direct allocation method. Under the carryback method these costs will be deducted in the year they are incurred or in the two preceding years. Under the direct allocation method they would tend to be respread over all the war years. If rates are rising, this means more costs are deducted in the years of high rates under the carrybacks than under the direct allocation method. The results will, of course, be reversed during periods of falling effective tax rates.

Similarly the loss carryback will have inequitable results if income is incorrectly measured. It is for this reason that, in applying the carryback method corporations are required to exclude deductions such as that representing the excess of percentage depletion over cost depletion, and include such tax-exempt income as that from State and municipal securites, in computing income both for the year of the operating loss and the year to which such loss is being carried back. These limitations prevent carryback refunds from arising where nominal but not actual losses have been realized.

C. The Uses of the Carrybacks

I have stated that the purpose of the carrybacks was to permit war-induced post-war costs to be charged, under certain circumstances, against wartime income. The great advantage of the carryback method over other methods

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NEW ISSUE July 25, 1945

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of accomplishing this purpose lies in the fact that the carrybacks do not require the specific identification and segregation of war-induced costs from other post-war costs. Any cost item which can be expensed under the Code of Regulations can set the carrybacks in motion. Nevertheless, in making an appraisal of the carryback provisions, it is important to know what types of expenditures the Congress had in mind when it wrote these provisions into the 1942 act and to know whether the objectives of this legislation are likely to be attained.

The two most discussed war-induced post-war costs are deferred maintenance and reconversion costs. I am sure most of you know what deferred maintenance is. As my railroad friends would say: "If you don't, you haven't tried to drink a cup of coffee in a dining car recently." The railroads tell us that they do have a considerable amount of deferred maintenance in their track accounts, and the hotel people say they have a lot too.

There hasn't been so much said about deferred maintenance in other industries, but no doubt smaller amounts are being accumulated elsewhere. Of course, a good deal of the maintenance which has been deferred on account of labor and material shortages will in a sense never be made good. The building that hasn't been painted in three years will only need to be painted once when the job is finally done. Furthermore, much of the deferred maintenance which has accumulated during the war will undoubtedly be made good before the final cessation of hostilities in areas where the one-front war makes possible the release of a substantial number of war workers.

Nevertheless, amounts will have to be spent after the war to carry out maintenance and repair jobs that couldn't be performed during the war because of labor or material shortages, and to redo those things which were badly done because only inferior materials or inexperienced workers were available. They will constitute a type of expenditure which the Congress intended to cover in enacting the carrybacks.

It is clearly to the advantage of both the Treasury and taxpayers that, in claiming post-war deductions for maintenance, it will not be necessary to distinguish between current and deferred maintenance. While the meaning of deferred maintenance is reasonably clear, its measurement in all but a few special situations presents a difficult, if not a hopeless task. Indeed, the Interstate Commerce Commission in a recent rate decision has stated: "No satisfactory method for the measurement of deferred maintenance has yet been devised. Standards of maintenance vary from railroad to railroad, and apparently railroad engineers do not agree as to what may be regarded as a normal standard. Still less do they agree as to the extent to which postponement of maintenance work resulting in deviations from either the normal or some other standard is properly catalogued as deferred maintenance." *

Although the amount of deferred maintenance to be made good after the war is not likely to exceed a few hundred million dollars, reconversion costs may run considerably higher, even if this term is strictly defined to embrace little more than plant rehabilitation. So defined, it would include only those expenses incidental to the physical restoration of plant, such as the cost of relocating machinery which was moved or of reinstalling fixtures which were torn out when plants were converted for war production. Such costs are clearly war-induced and so properly come within the scope of the carrybacks.

In making use of the carrybacks, taxpayers will not be required to distinguish between reconversion costs and other deductible expenses unrelated to plant rehabilitation. It will, however, be necessary to distinguish between those costs which only put the plant back into approximately its pre-war condition from those which improve or add to it. Such a distinction will not always be easy to make, although the Bureau of Internal Revenue has laid down some general rules relative to these costs which may be expensed and those which must be capitalized, about which I shall have more to say later.

Another war-induced post-war cost that may be important in a few cases is dismissal compensation. Although dismissal compensation has not been a common practice in American industry, dismissal pay provisions are understood to have been included in some union contracts negotiated since the beginning of the war. The firms which have agreed to the inclusion of this provision in their union contracts will incur additional wage costs if the end of the war and the termination of war contracts necessitate reductions in payrolls. Such expenditures, although not specifically mentioned by the Congress, would appear to be directly related to the cost of earning wartime income and so properly to fall within the scope of carrybacks.

There are also those situations where wartime income has been overstated by purely transitory increases in inventory valuations. If, as happened after the last war, these war-inflated inventories decline in value after the cessation of hostilities, losses will be realized. Under such circumstances it would seem only fair that the post-war losses should have the same tax consequences as the wartime gains. The carrybacks were intended to effect such an adjustment.

While the great advantage of the carrybacks lies in the fact that they do not require the segregation of war-induced costs from other post-war expenses, this is also their principal weakness. Since, under the carrybacks, all post-war expenses are treated in the same manner as war-induced costs, refunds may occur under circumstances quite different from those contemplated by the Congress when the carrybacks were enacted. Refunds of excess-profits taxes may occur because the excess-profits credit, as computed under the statute, overstates normal earnings. Consequently, some reductions in earnings in no way resulting from war-induced post-war expenses will bring about refunds of wartime taxes. Or excess-profits tax and corporation tax refunds may occur if large outlays are incurred for the purpose of increasing post-war profits. Abnormal repairs, advertising, or research are examples of this kind of cost. Strict accounting practice would appear to require such costs to be carried forward against future peacetime profits.

D. Speed Up of Carryback Refunds

Although the Congress was aware of the problems which businessmen would face during the reconversion period when it enacted the carrybacks in 1942, it did not at that time take steps to meet the need for prompt payment of these tax refunds. Under the law as it was originally written, refunds of taxes resulting from the carrybacks could not be made until a considerable length of time after the occurrence of a loss or an unused credit. Refund claims could not be made until the close of the year in which the loss or unused credit arose, and no method was provided for payment of claims before they had been audited and reviewed. Consequently, while a businessman might be certain of the ultimate receipt of a carryback refund, he could never be sure how long he would have to wait after the filing of his claim before he could expect to receive the refund.

This defect in the carryback provisions has been corrected by the Tax Adjustment Act of 1945, recently passed by both Houses of Congress. Under the provisions of this act, businessmen in carrying back losses and unused excess-profits credits can be certain that their refund claims will be acted upon and cash refunds made within 90 days after the filing of the claim. Moreover, where such refunds are anticipated in advance, the new law permits taxpayers to postpone payment of prior year taxes up to the amount of such anticipated refunds. Consequently, businessmen needing cash for reconversion will not find themselves in a position of having to pay current installments on tax liabilities which will ultimately be refunded.

III. The Post-War Credit

The post-war credit of 10% of the excess-profits tax should not require extensive discussion. Under the 1942 Act, this credit could be taken currently to the extent of 40% of net debt retirement, but it has generally been taken in the form of non-interest bearing post-war bonds. These bonds were made non-negotiable until after the cessation of hostilities, and were to mature in from two to six years after that date, the length of time depending upon the year for which they were issued. For example, if Japan should be defeated in 1946, bonds issued with respect to 1942 taxes would not have matured until December 31, 1948, and bonds issued with respect to 1944 taxes would not have matured until December 31, 1950.

These provisions for the issuance and redemption of post-war bonds failed in two respects to meet fully the purposes for which the post-war credit was enacted. First, corporations facing reconversion after the end of the war in Europe could not negotiate their bonds until after the end of the war in the Pacific. Second, even after the cessation of all hostilities, not all of their bonds would be available, since bonds to be issued with respect to the year immediately preceding the cessation of hostilities could not be issued until full payment of the excess-profits tax for that year had been made.

Under the Tax Adjustment Act of 1945, both of these defects in the earlier act have been corrected. The maturity date on post-war bonds has been advanced so that bonds which have already been issued will be payable in full on Jan. 1, 1946. Bonds which have been certified but not yet issued will be satisfied by cash payments. Moreover, for 1944 and subsequent years, the post-war credit will be made immediately available, so that the present 85½% net rate of tax will be the rate at which the excess-profits tax is actually paid. Quarterly tax installments on 1944 liabilities which have not already been paid will be reduced by the amount of the post-war credit. The tax-return forms for 1945 and subsequent years will be designed to indicate that the post-war credit should be taken currently.

IV. The Recomputation of the Amortization Deduction

A less well-known provision of the tax law which will give rise to tax refunds during the reconversion period is that permitting the recomputation of the amortization deduction allowed with respect to emergency facilities. Under the present law, facilities which have been certified as being necessary for national defense may be amortized over a five-year period. If, however, within that period the emergency is terminated, or if the particular facilities are certified to be no longer necessary for national defense, the taxpayer may elect to recompute his amortization deductions for prior years on the basis of the shorter amortization period. Since a shortening of the amortization period will result in additional deductions for such prior years, the taxpayer will ordinarily receive tax refunds.

Although claims for refunds could be filed as soon as a taxpayer was granted a certificate of necessity, the fact that such claims had to be handled through usual administrative procedure made the prospects of early payment very slight. Accordingly, the Congress sought to correct this deficiency by means of a special provision in the Tax Adjustment Act of 1945 under which claims for refunds arising from the recomputation of the amortization deduction will be allowed within 90 days after the filing of the claim. The procedure will be very similar to that which will be employed in the prompt payment of carryback refund claims.

V. The Tax Treatment of War Contractors' Reconversion Costs

No doubt some of you at this point are thinking that, despite my optimistic assurances of greater certainty as regards the time when carryback refunds will be received, I have failed to dispel one of the fundamental uncertainties concerning the amount of such refunds. To say that reconversion costs can give rise to tax refunds within a certain period of time is all very well; but, as we all know, this can happen only to the extent that reconversion costs are allowed as deductible expenses. To the extent that taxpayers are required to capitalize these costs, they will reap little benefit from the carrybacks. Since the treatment of reconversion costs may be an important factor in making post-war production plans, as much of this uncertainty as possible should be eliminated in advance.

The treatment of reconversion costs is a problem which has for some time seriously concerned the Government, not only in its role

(Continued on page 424)

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*Ex Parte No. 148, decided Dec. 12, 1944.

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Reconversion Tax-Reducing Provisions

(Continued from page 423)

of tax collector, but also in its role of purchaser. In a few cost-plus contracts made in 1940 or 1941, the War Department assumed the obligation of returning the plants of contractors to the condition in which they were prior to rearrangement for the purpose of performing war contracts. On March 6, 1942, however, the Chairman of the War Production Board, in response to a request from the Under Secretary of War, established a policy of excluding any specific allowance for reconversion costs from the price of articles purchased by the Government. Furthermore, the War and Navy Departments have since that time excluded from the costs of terminating particular contracts any allowance for the costs of reconverting the contractors' plants.

Since it had been the established policy of the Government not to permit the inclusion of reconversion costs in the prices paid for most of the goods which had been purchased during the war, the question was raised early in 1944 as to whether the Government was still under an obligation to compensate war contractors for their reconversion costs. A careful examination of this question revealed that in few cases was there any certainty on the part of war contractors, either as to the amount of money which would be required for reconversion or as to the purposes for which it would be used. Furthermore, wide differences of opinion were found to exist among business men as to the specific reconversion cost items for which the Government should pay. Some businessmen thought that the Government should bear only the costs of the replacement of equipment and the rearranging of plant to its exact prewar condition. Others argued that since many improvements had been made during the war both in technology and in the technique of production, it would be both impractical and uneconomic to insist on the restoration of plant to its exact prewar condition. Although they recognized that the Government was under no obligation to pay for improvements, they thought that it might reimburse such contractors for the *hypothetical costs* of restoring their plants to their prewar condition.

In addition to the differences of opinion regarding the extent of the Government's obligation to pay the reconversion costs of war contractors, there were widely differing views on the extent to which adequate compensation had not already been made. Whereas some business men took the position that failure to recognize reconversion expenses as a specific cost item in negotiating war contracts was sufficient evidence of non-compensation, representatives of the principal purchasing agencies were of the opinion that this was a question which could be answered only after an examination of the income accounts of each individual firm. In view of the abundant evidence that corporations as a whole had enjoyed abnormally high profits during the war years, it was felt that few firms could demonstrate the need for additional compensation.

But even if the prices paid by the Government under war contracts have fully compensated most contractors for their reconversion costs, such costs, when incurred, are nonetheless proper charges against wartime income. The carrybacks are, I believe, adequate recognition of this fact. Still, it is appreciated that differences of opinion might arise between taxpayers and the Bureau of Internal Revenue on the matter of expensing or capitalizing certain specific reconversion costs.

In order to clear up all possible misunderstandings on that score before commitments are made, the Bureau has recently issued a field memorandum setting forth the treatment of reconversion costs which it proposes to follow in the case of war contractors.† While in no way departing from the general rules now prescribed in Section 23(a) (1) and Section 24 of the Internal Revenue Code, this memorandum does enunciate the principle that the cost of restoring plant and equipment to substantially the same condition it was in before the war, depreciation excepted, will be allowed as an expense. The cost of any additions and improvements made to the plant in connection with its reconversion will, however, be capitalized. In general, the Bureau has taken the position that to the extent a restored or reinstalled asset is already adequately reflected in the capital account of the taxpayer, restoration and reinstallation costs should be expensed. If, however, the original assets were fully written off at the time when the plant was converted to war production, it holds that the cost of any replacements should be capitalized.

A. Reconversion Plant Cost

In the process of converting to war production it may have been necessary for a taxpayer to tear out a wall, to raise a ceiling, or to discard a floor. The undepreciated cost of such demolitions could, of course, have been deducted from taxable income in the year of conversion. Nevertheless, in some instances, either because it was difficult to establish the undepreciated cost of the portion of the building removed or because the taxpayer did not choose to claim it, no deduction was taken. In such cases if the parts of the building so removed or demolished are replaced in the process of reconversion to peacetime production, so as to restore the building to approximately its original condition, such restoration costs will be allowed as expenses fully deductible from current income. If, on the other hand, the part of the building previously removed or demolished is replaced with a new and improved type of structure, the amount allowable as a deduction in computing net income for the taxpayer in the year of reconversion will be limited to a reasonable estimate of the amount necessary to restore such part of the building to its original condition.

In the case of Government plants acquired by the taxpayer, or of plants fully amortized under certificates of necessity, all expenses incurred in their conversion for peacetime production must be capitalized. In the case of plants acquired from the Government this procedure is, of course, necessary if the full value of the plant is to be accurately reflected in the capital accounts of the taxpayer. The treatment is the same as that which would be accorded any newly acquired asset. Fully amortized facilities will, in any case, be considerably under-capitalized on the taxpayers' books. Certainly, no firm would bother to reinstall or reconvert such facilities unless they would subsequently be worth as much as their reconversion costs.

B. Reconversion Equipment Costs

In the case of machinery and equipment the cost of rearrangement will be allowed as an expense. In many cases machinery had to be removed from a plant when it was converted to war production. In other instances, plant lay-outs had to be rearranged. These conversion costs were properly recognized as deductible expenses at the time they were incurred. With the termination of war contracts, the cost of putting these displaced or relocated machines back into their former locations so as to permit their utilization for peacetime production will also be allowed as a deductible expense. But one exception is made to this rule, namely, the case where a taxpayer acquires and moves Government-owned machinery which the Government was obligated to remove from his plant upon the termination of his war contracts. In such cases it is assumed that the taxpayer who does the moving himself will be able to obtain the facility at a lower price.

Finally, mention should be made of the treatment of reinstallation costs of foundations and other fixtures which were removed at the time the plant was converted. Here again, as in the case of buildings, the treatment to be accorded such expenses by the Bureau will follow the principle of restoring to the capital account as much of the cost of such new installations as is necessary to give these asssets the value at which the old installation appeared on the taxpayer's books at the time of their removal. As in the case of fully amortized buildings, however, installation costs incurred in connection with the reconversion or relocation of fully amortized machinery will be capitalized.

VI. Conclusion

To recapitulate, the Internal Revenue Code contains a number of provisions which were designed to facilitate through tax refunds the reconversion of American industry from a wartime to a peacetime basis. Specifically, the provisions are those relating to the carryback of losses and of unused excess-profits credits, the post-war credit, and the recomputation of the amortization deduction. When these provisions were enacted, however, the need for the prompt payment of refunds arising under them was not fully met. This deficiency in the earlier legislation has now been corrected in the Tax Adjustment Act of 1945. Once this Act becomes law, businessmen will be able to go ahead with their reconversion plans with the knowledge that the tax refunds to which they are entitled under present law will be available to them at the time when they will most need cash.

Will these cash-refunds be adequate to meet the reconversion needs of business? I doubt whether anyone now knows the answer to this question, but they should certainly go a long way towards removing the danger that reconversion may be impeded by shortages of cash. The amount of carryback refunds will depend upon economic conditions during the transition period, but it has been estimated that for 1945 and 1946 they might amount to perhaps $1 billion. The redemption of the post-war bonds issued for the years 1942 and 1943 will make available to corporations which paid excess profits taxes in those years about $1.3 billion; and the current availability of the post-war credit for the years 1944 and 1945 will, by reducing current tax liabilities, increase the cash balances of such corporations by about $1.5 billion. Assuming that, for purposes of recomputing the amortization deduction, the emergency period ends at the close of 1945. It is estimated that the resulting tax refunds would amount to roughly $1.7 billion. In the aggregate, therefore, the tax refunds arising under the above provisions may amount to as much as $5.5 billion.

This amount may appear small in comparison with the $44 billion of cash and Government securities currently estimated to be held by corporations alone. But the importance of these tax refunds is not wholly a matter of their aggregate size. For the most part, the corporations and individual businessmen who will receive this cash will be those who are faced with the most serious reconversion problems. It is in terms of the needs of such firms that the importance of these refunds will ultimately be demonstrated.

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† Mimeograph 5870, Internal Revenue Bulletin No. 12, June 25, 1945.

Margin Account Credits In June by SE Firms

The New York Stock Exchange announced on July 16 that as of the close of business on June 30, member firms of the Exchange carrying margin accounts reported as follows:

Total of customers' net debit balances June 30, 1945, $1,190,748,260; May 31, 1945, $1,094,337,830. (Includes all securities, commodity and other accounts. Does not include debit balances in accounts held for other firms which are members of national securities exchanges, or "own" accounts of reporting firms, or accounts of partners of those firms.)

Credit extended to customers on U. S. Government obligations, June 30, 1945, $130,238,341; May 31, 1945, $110,470,036. (This amount included in net debit balance total.)

Cash on hand and in banks June 30, 1945, $209,178,139; May 31, 1945, $226,374,509. (Exclusive of balances segregated under the Commodity Exchange Act.)

Total of customers' free credit balances June 30, 1945, $569,104,113; May 31, 1945, $583,090,717. (Does not include credit balances in regulated commodity accounts, or free credit balances held for other firms which are members of national securities exchanges, or free credit balances held for the accounts of reporting firms or of partners of those firms.)

The previous monthly comparison appeared in our issue of July 5, page 114.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was concluded last week by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $25,410,000, 0.90% consolidated debentures dated Aug. 1, 1945 and due May 1, 1946. The issue was placed at par. Of the proceeds, $23,580,000 will be used to retire a like amount of debentures maturing Aug. 1, and the balance, $1,830,000, is for new money purposes. As of Aug. 1, 1945, the total amount of debentures outstanding will be $274,305,000.

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plus accrued dividends from July 15, 1945

Copies of the Prospectus describing this stock may be obtained in each State from such of the undersigned as may legally furnish the Prospectus in compliance with the laws of such State.

F. S. Moseley & Co.
The First Boston Corporation
Blyth & Co., Inc.
Harriman Ripley & Co. Incorporated
Lee Higginson Corporation
Mellon Securities Corporation
Smith, Barney & Co.
Hayden, Miller & Co.
Union Securities Corporation

July 25, 1945.

Municipal News & Notes

The extent of the high favor enjoyed by housing authority bonds in investment circles was highlighted in the recent sale of $1,995,000 New York City Housing Authority series A refunding bonds to a syndicate headed by the Mellon Securities Corp., Pittsburgh. Outbidding the six syndicates that competed for the loan, the Mellon group acquired the bonds at an average cost to the authority of 1.6129%. The purchasers re-offered the issue at prices to yield from 0.25% to 1.70%, the maturities being from 1946 to 1991.

This transaction, as Maxwell H. Tretter, Executive Director of the New York Housing Authority said, "marked a milestone in public housing authority financing," in that it results in the first instance where all of the securities on a low-rent public housing project are owned by private capital.

The significance of this development was additionally emphasized by Philip M. Klutznick, Commissioner of the Federal Public Housing Authority, who pointed out that the proceeds of the issue will retire the government's entire capital investment in the project, represented by $1,189,000 of 2½% series B bonds held by the FPHA. This rate, incidentally, is fixed by the statute and is uniform on all of the series B bonds issued by the housing authorities.

In addition, the New York Authority will redeem the $806,000 of series A bonds which were originally sold to private investors at an average rate of 1.81%. Thus the new issue of $1,995,000 series A refunding covers the entire development cost of the project, except for $72,000 bonds that have already been retired.

The bonds sold by the New York City unit represent indebtedness on its Clason Point Gardens project, which was constructed in 1941 and is located in the lower Bronx. Consisting of 400 family dwellings in two-story row houses, the project has a population of 1,620 persons. As in all similar undertakings, the facilities are available only to low-income families and the difference between rentals received and actual operating costs, including provision for debt service, is made up by an annual Federal contribution in accordance with the U. S. Housing Act.

Terms of the refunding issue will result in an interest saving on the project's indebtedness of about $647,815 over the life of the bond issue, due in part to the fact that the effective interest rate has been reduced to 1.6129%. Furthermore, the elimination of FPHA equity means that the last bonds will mature in 1991, rather than in the year 2000.

Thus the refunding eliminates nine years of annual Federal constributions, which at maximum would amount to $62,010 a year. In the past, incidentally, the longest-term bonds sold by any local housing authority to private investors had a maturity of 41 years, as compared to the 46 years contained in the New York City Housing Authority refundings.

In commenting on the recent award, FPHA Commissioner Philip M. Klutznick, said:

"Financial markets have become increasingly aware of the soundness of local housing authority bonds. Their readiness to assume the dominant role in financing Federally aided public housing is a recognition of the success of local housing authority operations. It also testifies to the workability of the United States Housing Act, under which the Federal Government makes an annual contribution, up to a certain maximum, to help meet the costs of operation and the amortization of capital and interest on Federally aided housing for families of low income. The Federal subsidy helps enable a well-managed local housing authority to give ample assurance to investors that bond obligations will be met.

Wire Bids on

VIRGINIA—WEST VIRGINIA
NORTH and SOUTH
CAROLINA
MUNICIPAL BONDS

F. W.
CRAIGIE & CO.
RICHMOND, VIRGINIA
Bell System Teletype: RH 83 & 84
Telephone 3-9137

"While the present instance of 100% direct financing by private capital is gratifying, it is not anticipated that many other authorities, particularly those in smaller cities, will be able to do the same thing without certain amendments to perfect the U. S. Housing Act. With such amendatory legislation, full private financing of public housing should also prove feasible for virtually all local housing authorities throughout the country."

Mr. Klutznick pointed out that in the early days of the low-rent housing program, local authorities relied on the Federal Government for loans to cover nearly the full 90% of project development cost permitted by the U. S. Housing Act. Bonds sold to private investors in 1940 represented only 15% of the total financing in that year. Since then the proportion has steadily increased, and by the end of 1944 more than a third of the long-term bonds outstanding were in private hands.

However, until the achievement of 100% private financing on Clason Point Gardens, 85% was the highest proportion of bonds that any local authority had been able to dispose of on the private market.

American General Corp. Underwrites Morris Plan Corp. Refinancing Plan

Under an agreement announced July 25 by Arthur J. Morris, the President of Morris Plan Corporation of America, American General Corporation has agreed to purchase at $8 per share, 937,500 shares of new common stock to be issued by the Morris Plan Corporation in connection with their recapitalization program. American General Corporation, one of the Equity Corporation group of investment companies, has agreed that these shares may be re-offered to the stockholders of Industrial Finance Corporation, which owns approximately 96% of the Common Stock of Morris Plan Corporation, as well as to the minority Common stockholders of the Morris Plan Corporation, subject to compliance with legal requirements.

The new stock of the Morris Plan Corporation will be issued following a recapitalization of the company whereby the authorized Common Stock is to be increased to 3,500,000 shares of 10c. par value and each of the presently outstanding 147,791 9/20 shares of $5 par value Common will be split into four new shares.

Of the proceeds—$7,500,000 before expenses of financing—approximately $4,000,000 will be used to retire presently outstanding Preferred Stock and the funded debt of the Morris Plan Corporation, and the balance will be added to working capital or used for other corporate purposes.

Little Easing of Business Problems

(Continued from page 403)

of durable goods for civilian use is being resumed, but on such small scales that the shortages will continue for a long time.

"In the financial field the increased requirements for margins in the purchase of securitsies show the nervousness of Washington about threats of inflation, while the enormous flood of bond refinancing at lowered coupons reflects both the abundance of funds seeking employment and the progressive influence of artificially low and controlled interest rates. Most of the conditions that have been mentioned illustrate the fact that our economy functions badly when wartime necessity imposes upon it a great mass of controls and regulations. Our business machine operates smoothly under conditions of free competitive pricing for both goods and services, but when that freedom must of necessity be suspended it functions badly.

"During the rest of this war period we shall increasingly realize what a planned economy is really like. Our best sample of it is food rationing. Most of its unfortunate features result from faulty planning done last year, and the year before, and the year before that, with results that are now coming increasingly into effect. We have produced the greatest harvests in our history, and there exists an abundance of most kinds of food, but the planned economy of its distribution produces most unsatisfactory results.

"Labor costs per unit of output in manufacturing have apparently increased by about 46% from 1939 to 1944. This finding is based on the release by the Department of Labor of its annual report on the output per manhour, and the labor cost per unit of product, in 19 industries where the product has remained nearly enough constant during the war period to permit a computation of this character. Among the 19 industries there are included such diverse production groups as boots and shoes, cement, cotton goods, lumber and timber products, printing and publishing, and tobacco products.

"Labor costs per unit of product have increased in all but two of the industries. Those two exceptions are the making of ice cream and the manufacturing of rayon and allied products. Of course the industries are of varying degrees of importance, and the figures were combined by giving to each series the degree of importance that was proportional to the value added by manufacturing according to the census of 1939.

"If the labor costs per unit of product are taken as being equal to 100 in 1939 a diagram shows that they declined to 99 in 1940, and that they have increased in each subsequent year with the greatest advance taking place from 1941 to 1942. The labor cost per unit of output was 146 in 1944. The figures indicate that the unit labor costs of most manufactured articles may be expected to be a good deal higher in the post-war period than they were in the pre-war period. For the most part the higher unit labor costs reflect increased wage rates. Probably they also reflect more overtime pay than would be normal under peacetime conditions. They also reflect somewhat decreased outputs per manhour.

Industrial Production

"Industrial production appears to have made a definite downward turn and has declined for two successive months. According to the index of the physical volume of industrial production compiled by this bank industrial output last December was 30.2% above the computed normal level. By March of this year it had advanced to 36.3%. In April it declined to 34.4% and the preliminary estimate for May is 33.0% above normal.

"Decreases in May were most pronounced in the output of durable goods although almost all industrial classifications show declines. The greatest advances occurred in the outputs of beehive coke and bituminous coal, but they merely represent a return to normal production after unusually low outputs in April due to work stoppages. With cutbacks in munitions production, and the reconversion of some industries to civilian production, it seems likely that the index of industrial production will continue to decline for many months. Factory employment continues to shrink and the more comprehensive index of national income also shows declines in April and May."

Stock Prices

General Ayres, in discussing the current stock market level, points out, that on basis of dividend yields, prices are as high as they were during the boom period of 1929. "Stock prices," he comments, "measured in terms of their yields are now nearly as high as they were in the average month of 1929 when the greatest of all bull markets reached its climax. An average for the 12 months of that year shows that the prices of all dividend-paying common stocks traded on the New York Stock Exchange were 24 times their dividends. In June of this year the prices were 23.5 times their dividends. It should be noted in this connection that the 1929 average is reduced below the peak of September of that year because the prices of the closing months were a good deal below those of the earlier months. Nevertheless it is noteworthy that stock prices measured in terms of their dividends are now near their all-time highs."

"It may be noted," he adds, "that there have been only a few instances in the past 46 years when stock prices measured in terms of dividends have been at higher levels than those of this present time."

"It is also true," says General Ayres, "that many, if not most, dividends that are now being paid are distinctly moderate as compared with the current earnings of the companies that are paying them. The corporations are prudently building up their working capital so as to have adequate funds for use in reconversion, and to meet any exceptionel requirements that may develop in the period of readjustment after peace returns. Investors and speculators are thinking about the dividend-paying powers of the corporations as well as about the present dividends. Nevertheless, present stock prices are high. They are a good deal higher than they look."

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue July 24, 1945

490,000 Shares

R. J. Reynolds Tobacco Company

Preferred Stock, 3.60% Series

Of the above shares, 108,060 shares have been purchased upon exercise of Warrants issued to holders of the Company's Common Stock and New Class B Common Stock pursuant to the Company's offering to stockholders. The remaining 381,940 shares are being purchased by the several underwriters and, to the extent that they have not been sold, are being offered at the public offering price set forth below.

Price: $100 per share
plus accrued dividends from July 21, 1945 to the date of delivery

Copies of the prospectus may be obtained from either of the undersigned (who are among the underwriters named in the prospectus) only by persons to whom such underwriter may legally offer these securities under applicable securities laws.

Dillon, Read & Co. Inc. Reynolds & Co.

Competitive Bidding Comments

(Continued from page 404)

When they have a so-called fast one, the little fellow can't get any; they sell his own customer in his back yard all the time stating there is nothing for him. But when they won't walk out the door, that is a different story. Mr. Little is asked to become a partner—do a job as they call it, so he will be given consideration on the next fast one. It doesn't work out that way. Why shouldn't Mr. Big want the negotiated deals when he is in the driver's seat? He keeps the cream and passes out the very skimmed milk.

Put every one on a competitive basis and you will have a better, more respected investment fraternity.

* * * *

EDWARD W. JONES

V. P., Harris, Lamoreux & Norris, Inc., Seattle, Wash.

We are definitely opposed to the "Competitive Bidding" procedure and have been since the matter first came up—that is, we are against the proposition UNLESS the **seller** chooses to so dispose of his merchandise.

We are thinking of the long-standing relationships between certain underwriters with certain accounts that they have handled for generations. And we are thinking of the public which "digests" new issues. The natural tendency of a potential "bidder" is to make a bid that will prove successful. This is obvious, and, in our opinion, leads to an attitude of "To hell with the public." To a certain extent the same impact is felt by distributing houses such as ours, in that this dog-eat-dog bidding results in profit spreads so inadequate that the distributors cannot be properly compensated for their efforts. There is a natural reluctance, therefore, on the part of distributors to make commitments, thus depriving issues of the broad distribution so essential in successful underwriting.

The foregoing objections have not been so apparent in recent years, with the plethora of funds incident to the money inflation this country has experienced. This phenomenon has probably lulled both the issuers and underwriters of securities into a mistaken attitude toward these basic considerations. We believe the best interests of the "consuming" public AND the issuer is served by the ability of the experienced underwriter to negotiate a TYPE of security best suited to current public demand, appropriately priced to insure successful distribution, and to avoid for the seller the public stigma that attaches to a so-called "sour" flotation. We do not think that competitive bidding is conducive to these broad considerations.

Lastly, we do not approve certain ambitious underwriters wooing the blessing of governmental or quasi-governmental bodies in an effort to gain prominence beyond their capacity. If they can win a position solely on their own merit, more power to them, but let's stay away from politicians and political bodies.

* * * *

A SMALL DEALER

No doubt there is argument on both sides of this question but to us it seems that competitive bidding is undesirable because it seems to favor the rich borrower by boosting the price he receives for his securities and forces the dealers to sell their customers at prices which are too high. The SEC is supposed to be protecting the public but it looks to us like they are favoring the big corporations in their stand for competitive bidding.

* * * *

A BOSTON DEALER

We are not in favor of competitive bidding for industrials for the following reasons:

1. The cost of making the proper investigations before bringing out the issue prohibits the bidders knowing what they are buying.
2. In an effort to obtain the issue dealers may pay too much for the securities and in turn thereby force the customers, who should be protected, to pay too much.
3. The close contact between the banker and the industrial corporation is forever broken.

* * * *

LOUIS S. LEBENTHAL

Lebenthal & Co., New York City

We in the municipal bond business have during the past fifteen years found that almost every issue was the subject of competitive bidding. In the early 1900s some municipalities had their Bankers and issues were sold privately. Today in most cases Banking Firms render free guidance to the municipalities and then bid publicly for the issue. The municipalities have been benefited and the bonds have been more marketable.

To change the procedure of competitive bidding on high grade industrial issues may create inequities for the banker who has taken the risk in the past and has given much of his valuable time and experience to setting up the issue.

By taking a page from the municipal bond security business I believe that the security business will be benefited.

* * * *

AN ANONYMOUS DEALER

All subdivisions of Government, State, counties, cities, boroughs, townships and school districts are bound, under the law to seek competitive bids. As a County Commissioner of Alleghany County, the board succeeded in lowering rates from 4¼% to 2.52% before rates for this type of security hit present low levels. The principle appeals to me as sound, in that it relieves private management from suspicion and criticism. It is my considered judgment that competitive bidding is sound and honest and will bring the greatest good to the greatest numbers, relieving in turn, management from charges—true or false—as to what is best for the railroads, utilities or industry.

With the cards all face up—as they are bound to be in competitive bidding—no stockholder and no government official or officials, have a leg to stand on, so far as complaint is concerned.

* * * *

B. F. PITMAN, JR.

Pitman & Company, Inc., San Antonio, Texas

Re: Competitive Bidding. We are unalterably opposed to competitive bidding not only for industrial issues, but for public utilities and railroads also.

For many months we have periodically received long telegrams from Halsey, Stuart & Co. inviting us to join their syndicate to bid on this or that new issue. We have great respect and admiration for Halsey, Stuart but emphatically object to their advocacy of competitive bidding. It might be of interest to you to have a copy of our last letter to them reference this subject. It is attached attached hereto. (Letter reprinted below.—Editor.)

May 22, 1945

Halsey, Stuart & Co., Inc.
123 S. LaSalle St.
Chicago. Ill.

Gentlemen:

We have had numerous wires from you recently inviting us to join accounts which you are forming for the purpose of submitting competitive bids on various bond issues.

We have been very impressed with the way you have included the small dealers scattered throughout the country in your deals. We consider it a favorable development in the investment banking industry. However, we are unalterably opposed to competitive bidding. Furthermore, there are only a few institutional buyers in this part of the country, and most of them are not interested in buying good to top quality bonds at prevailing levels. We feel that individuals buying bonds at these levels will ultimately suffer a very severe loss, and are unwilling to recommend them. If the foregoing reasons are not enough, we would not be able to pay our overhead on the profit margins currently prevailing on the marketing of bond issues of the type and character which you are handling, and we would not sleep well with the liability.

Accordingly, we think in all fairness to you we should candidly tell you our position in the matter in order that you may save the cost of telegrams to us. Again thanking you for your past invitations, we are.

Very truly yours,
PITMAN & CO., INC.
by: B. E. Pitman, Jr.

* * * *

ALLEN C. BALDWIN

Oriskany Falls, N. Y.

I believe competitive bidding tends to make the market fictitious to values, creating too much interest makes stocks soar beyond their intrinsic value and worth. If this continues to prevail I see inflation ahead—worse than after World War I.

* * * *

H. IRVING LEE

H. Irving Lee & Co., San Jose, Calif.

Competitive bidding in the field of finance, in our belief, is all wrong and will tend to hinder the free flow of capital. The recent case of P. G. & E. is an example of clogging the machinery.

An investment firm that is most interested and best acquainted with the affairs of a corporation is by far more suited to care and know what capital requirements are and further what is desired for future growth.

History has shown that a corporation's growth should be sponsored by an Investment Banker or Group. Under **this** the Stockholder's interest is protected and better reflects the value of outstanding securities in the respective enterprise.

The competitive system for the most part breeds a Hit and Run cold blooded attitude toward anything that is undertaken by the Investment Banking business. We believe that a certain amount of sentiment and a great deal of confidence **in** and respect **for** both the issuer and the public should be the watch word and guide for the Investment Banking Fraternity.

* * * *

H. R. AMOTT

President, Amott, Baker & Co., Inc., New York City

We are definitely opposed to the principle of competitive bidding as it is now operated.

We think the net result of the present policy is that the public far too often is asked to pay exorbitant prices for new issues. It is true that it may be beneficial to a corporation to receive the maximum amount of proceeds from a new piece of financing but we question whether this is a long term advantage to any corporation, if the general public is over-charged and secondary markets prove unsatisfactory. Such conditions can easily harm the credit standing of the corporation itself to say nothing of the unfairness of a policy which sooner or later will result in substantial losses to the general public.

We believe there is a better way than competitive bidding for the establishment of fair and equitable prices and underwriting profits.

* * * *

A NEW ORLEANS DEALER

We feel that competitive bidding on high class industrial securities is economically sound; however, we do not believe it is desirable from the point of view of the underwriter due to a decrease in his margin of profit.

* * * *

W. S. FRIEDMAN

Friedman, Brokaw & Samish, St. Louis, Mo.

We favor the competitive bidding for all public utilities and railroads. We are not sure if it will work so well in the case of smaller industrial issues. We would have no objection if it were tried in industrial issues, although we realize that it might be a hardship on the large underwriting houses.

* * * *

A. O. VAN SUTENDAEL

A. O. Van Sutendael & Co., Yonkers, N. Y.

Although the writer has never participated in "underwriting" he is strongly of the opinion that the Debtor Corporation should be permitted freedom of action in choosing the method of selling its obligations—be such method by competitive bidding, direct negotiation with underwriters, or direct sale to the investor. The direct sale to insurance company and other institutional investors is the action which "hurts" this firm most—but off-hand I can think of no sound argument against such procedure.

Certainly every debtor proposing an issue of magnitude sufficient to bring it under SEC supervision or regulation. is better able to select the method of selling its securities than is the SEC or anyone else; but with or without SEC regulation, it is and should be accountable for any false or misleading statements which it makes in either its financial matters or the product which it merchandizes in these goods, wares, or services. I believe every "large" corporation with negligible exceptions issues only truthful statements.

Railroad Securities

(Continued from page 407)

erable increase of citrus fruit expansion as well as truck farming expansion which bids fair to continue and to swell revenues of the MOP. Post-war system gross revenues should approximate $150 million as compared with $100 million pre-war and reflecting technological developments already accomplished, earnings available for charges after taxes might well reach a level of between $20 million and $25 million. In that event, such earnings would support very liberal prices for the various securities allocated to the refunding bondholders under the compromise plan, possibly sufficiently high to justify ultimate levels of 107 on these refunding bonds.

However, with the probability that the Iron Mountains will be paid off and with the further probability that the RFC and bank loans may be paid off, and some additional first mortgage bonds allocated to the refunding bondholders in lieu of preferred stock originally allocated, these bonds may ultimately reach levels of 120 or more.

Under the present compromise plan the Refunding 5s can accept 2.74 shares of Class A common instead of approximately $72 in cash. Since the Class A stock is apparently valued at roughly $36 per share, as evidenced by the market price for the General 4s, the cash equivalent will be $98 rather than $72. With a change in the plan probable, this provision will doubtless be modified.

Business Man's Bookshelf

Commercial Policy in the Post-war World—Report of the Economic and Financial Committees of the League of Nations—International Documents Service, Columbia University Press, New York, N. Y.—paper—$1.25.

Japan's Record and World Security—United Nations Information Office, 610 Fifth Avenue, New York 20, N. Y.—paper—10c.

Opportunities in Retail Trade for Service Men—Dun & Bradstreet, Inc., New York City—paper.

Towards a World of Plenty—The Story of the Food and Agriculture Organization of the United Nations—United Nations Information Office, 610 Fifth Avenue, New York 20, N. Y.—paper—10c.

Wartime Wage Control and Dispute Settlement—Bureau of National Affairs, Inc., Washington, D. C.—cloth—$6.75.

Stock Salesmen Indicted

A Federal Grand Jury has indicted Stanley Grayson, alias Sam Gellis, of 135 Broadway, New York City, and Lewis Franco, Morris Berman and Wolf N. Mandel, three of his salesmen, in connection with the sale of oil royalties which the Government contends were represented as providing income for life, but which had little actual value. Mr. Mandel, now serving three years in Eastern Penitentiary, Lewisburg, Pa., on a mail fraud conviction, was taken before Federal Judge Arthur D. Healey and pleaded guilty. The others will be arraigned later. The indictment has 43 counts of mail fraud violations and Securities Exchange Act violations. It is charged that the defendants told prospective purchasers of the royalties that war bonds would probably never be redeemed by the Government, while the royalties could be resold without loss.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 406)

forecasts of the world to come. Yet, a week ago Tuesday, the sudden belief that the Jap war was ending was enough to send prices into a nasty tailspin. If they do this on a rumor, the logical conclusion is to expect a lot worse on actuality. This of course brings us right back to "logical" as expressed in the market.

* * *

Two and two makes four in the world of mathematics. It seldom comes out that way in the market. Science, whether it be mathematics, or some other branch, is exact. It has a philosophy; it can be explained logically and is reducible to certain axioms and formulae. All these however have absolutely nothing to do with the market. The market doesn't act on logic no more than it is responsive to that hoary phrase, "supply and demand." Its best stimulus has always been the fear and hope fetish; the kind of stuff which comes from mobs.

* * *

To get back to logic and its application, it might be pointed out that illogical reasoning frequently pays dividends in Wall Street. Last week the market cracked on rumors of a Jap peace. Logically it will break wide open if the rumors are true. Actually it may do nothing of the sort. The first crack that you saw may well be the worst if the war was the only thing it had to contend with.

* * *

But there are other things for the market to act on. And it is these that the market has yet to get out of its system and by the time it does it is likely that prices will be still lower.

* * *

Right now the averages are in a position of having broken through their July lows. According to Dow, this indicates a secondary downtrend. It may well mean a two-thirds retracement of the whole advance which can carry industrials to about 152-154; the rails to about 48. In the face of this possibility plus a couple of pieces of disquieting news, e.g., Delaware & Hudson financing, more Federal regulations of markets, it seems like flying in the face of Providence to buy them here.

* * *

But paradoxically, it is just because of such conditions that the market may be getting to a base from which more than a rally can ensue. Conditions are bad, and likely to get worse? That's not news. Everybody knows it. So if everybody knows it, the chances are that the big boogie man hiding behind closet doors won't hop out and scare us.

* * *

In any case this column is watching things with interest. If we have seven more market days of the kind we saw last Friday and Saturday, it may well be inclined to advise re-entry. Meanwhile hold on to White Motors, bought at 29½ but sell it if it breaks 28; A. M. Byers, at 19, stop 16 and Steel bought at 56, stop 65.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Bank Profits and Prosperity

(Continued from first page)

trivial compensation for the tedious, expensive work; and the final result of all of it is that banks are making more money than ever before—and it all makes sense.

In very high political and other quarters there are some who criticize the banks for making money in war time and who, it is said, are making surveys and studies with a view to taking away a large part of further wartime bank profits, or perhaps of prohibiting the making of the profits in the first place.

Banks are making unusual profits only because of and after the banks' customers have made and are making unusual profits. Banks' customers are making unusual profits only because the powers that be fixed high rates of compensation for war workers and war industries. It was incentive pay the authorities handed out to get the war work done quickly. The program has been an unprecedented success. The alternative to the program adopted would have been to have frozen, on Pearl Harbor Day, all prices and wages for the duration—conscripting labor and capital. That might have worked;—it has never been tried. What the final result would have been is doubtful and it definitely is not our American way.

We pursued a tried and tested course and it has won one victory and is well on the way to another and final victory. This has been accomplished at an enormous cost, but one our economic system can pay.

If under such extended, strenuous and orthodox use of our American Economic System the banks—the very heart of the system—had failed to earn more than usual profits, then there would be something very wrong with bank management.

There has never yet been a period when the banks prospered while the depositors did not prosper. It does not—it cannot—work that way. Prosperity begins for the bank customer before it begins for the bank—and then ends for the bank before it has ended for the customer.

A decade ago the banking system was in the "dog house." It was not making money. Depositors were suspicious of the solvency of the banks. Depositors are always more concerned about such matters when earnings are meager than when earnings are good as they are now.

The Federal Deposit Insurance Corporation reports that the insured banks, as a group, earned on their capital accounts, after charge-offs and taxes, in 1941, 6.66%; in 1942, 6.26%; in 1943, 8.58%. The report for 1944 is not yet available but it is reasonable to expect a further increase. Surely these earnings are not excessive when there have been so many years when there were almost no earnings.

It is the obvious policy of the Treasury to shorten the terms and reduce the interest rate on its new bonds available to banks for investment. The Treasury is prohibiting investment by the banks in its new longest term, highest coupon bonds. Our bank is in full accord with this Treasury policy.

The Treasury is waging a strenuous campaign to sell "E" bonds to individuals. We are in complete agreement with that program. I hope that after this war is over the Treasury will continue an active, aggressive campaign to sell bonds, particularly of the "E" type, to individuals. This bank will cooperate fully in such a program if given an opportunity.

It is my observation that, as a rule, the individual bond buyer buys first in the drive, then makes a few monthly purchases—then has the "habit" and is likely to become a regular monthly buyer. In a majority of cases, the habit, once formed, will stick and that individual is on the road to economic security. Such a bond buyer will be a better bank customer, a better life insurance customer and even—a better citizen.

Banks are not making their unusual profits from the "little fellow"—the small account. That just couldn't be done, even if rates were high. It takes a whole flock of little accounts, usually accompanied by many, many transactions—items (deposits and checks) to total $10,000. That sum invested in Government bonds at the prevailing interest rate of 1½% for the highest, will produce interest income of only $150 in a full year. That amount of income will not pay the expense account in this bank for more than a half day.

But these same small accounts, if handled on a basis where they pay their own way, may well be the very backbone of the bank and of the business community in times of boom or of depression. These accounts are most welcome in this bank.

The unusual profits are made on the big accounts—the accounts that are not active, that are awaiting investment or are simply in a bank account as a convenient safe place of storage. We are prohibited by law from paying interest on these or any other demand deposits **"by any device whatsoever"** and the result is that even with the fantastically low rates of the present, banks are experiencing earnings that would have seemed fantistic 10 years ago.

If it is decided that larger than usual profits for banks are unholy and steps are taken to drastically curb or reduce the profits—then look out, you depositors—the source of our banks' profits,—your turn will be just around the corner!

I am constantly reading and hearing that the present situation is very unusual, unnatural, highly dangerous and explosive. Every day I check that reasoning, searching for the truth of it. So far this is the picture I always come up with on my drawing board:

My customers owe far less debt to the banks, government, insurance companies, merchants, doctors, lawyers, or other agency than they did at the lowest point of the depression; they have six times the dollars deposited with us now than they had at that period,—(and the number of customers is about the same) they have many, many times the currency in pockets, stockings, tin cans, and safety boxes they had then; they have increased many times their investments in U. S. Government bonds and other liquid investments, the cash and collateral value of the homes, farms, groves, and other businesses they own were then frozen and not available for use on a satisfactory basis. Now these same possessions are readily saleable at a satisfactory price. If a property owner does not want to sell he dare not name a reasonable price. If that is a picture of an unsound, unsafe, unsatisfactory, highly explosive situation—then this participating observer likes that kind of picture.

Continued full employment at high wages, with high taxes, and fast moving business, is a real probability and can readily keep us in the present pleasant economic cycle and perhaps for a long time out of the dreadful, dangerous explosive kind of times we experienced in the early thirties.

It is large totals of speculative debt at high interest rates based on collateral with a fictitious value that produces unsound, explosive situations. That is what "Busted" in Florida in 1926—It was the thing that "Busted" in Wall Street and in Main Street in 1929—and it is likely the next big "Bust" will result from the same kind of powder.

Certainly the banks should be permitted, even encouraged, to make profits, even unusual profits, if it can be done with the prevailing low interest rates. Persuasion should be used toward their retaining a substantial part of the earnings, building reserves to meet the next depression.

Be assured that if our economic system is given reasonably free play (as it should be given) another depression will, in due time, put in its appearance. For depressions, like Florida hurricanes, droughts and freezes, one can only predict with certainty that they will come—not when.

Willard G. Hughes Joins Staff of Milwaukee Co.

(Special to The Financial Chronicle)

MILWAUKEE, WIS.—Willard G. Hughes has become associated with The Milwaukee Co., 207 East Michigan St. Mr. Hughes was formerly with Braun, Monroe & Co. and H. B. Haun.

LAMBORN & CO.
99 WALL STREET
NEW YORK 5, N. Y.

SUGAR
Exports—Imports—Futures

DIgby 4-2727

Established 1856

H. Hentz & Co.

Members
New York Stock Exchange
New York Curb Exchange
New York Cotton Exchange
Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
And other Exchanges

N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.

CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

This advertisement is not, and is under no circumstances to be construed as, an offer of these securities for sale or as a solicitation of an offer to buy any of such securities. The offer is made only by the Prospectus.

NEW ISSUE

Pan American Airways Corporation

Capital Stock
and
Stock Purchase Warrants

Of the 2,043,261 Units (each Unit consisting of one share of Capital Stock and a Stock Purchase Warrant to purchase one additional share of such stock) offered by the Corporation for subscription at $21.50 per Unit, 1,932,619 Units were subscribed for upon the exercise of the Subscription Warrants which were distributed by the Corporation among its stockholders and which expired on July 23, 1945. The 110,642 unsubscribed Units have been purchased from the Corporation by the several Underwriters.

Copies of the Prospectus may be obtained in any State from only such of the several Underwriters, including the undersigned, as are registered or licensed dealers or brokers in such State.

Kuhn, Loeb & Co. Blyth & Co., Inc.
Lazard Frères & Co. Ladenburg, Thalmann & Co.

July 26, 1945.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 407)

velopments—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Central Iron & Steel, Kingan & Co.** and **Riverside Cement.**

Consolidated Electric & Gas Co. preferred and **Central Public Utility Corp.** Income 5½s of 1952—A study—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

The Cross Company—Analysis of condition and post-war prospects—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Also available a memorandum on **San Carlos Milling Co., Ltd.**, including a reprint of an article on prospects for those desiring an interesting speculative situation.

De Pinna—Late analysis of the common and convertible preferred stock—B. G. Cantor & Co., 61 Broadway, New York 6, N. Y.

Dunningcolor Corp. common—descriptive circular — Bennett, Spanier & Co., Inc., 105 South La Salle St., Chicago 3, Ill.

Dunningcolor—Descriptive circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **Gerber Products.**

Eastern Corporation—Descriptive memorandum — Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pennsylvania.

Also available are memoranda on **Western Light & Telephone and Wellman Engineering Corp.**

Elk Horn Coal Corporation and **Lawrence Portland Cement Co.**—Report on attractive possibilities for price appreciation in these two industrials—Morris Cohon & Co., 42 Broadway, New York 4, N. Y.

Franklin Railway Supply Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

General Industries Co.—Recent report — **Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.

Also available a report on **National Stamping Co.**

Gro-Cord Rubber Company—Statistical memorandum on post-war outlook—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Interstate Co.—analytical study—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Also available a detailed report on **United Brick & Tile Company.**

Kern County Land Company—discussion of operations and position—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Kingan Company — Descriptive circular—**C. E. de Willers & Co.**, 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Macfadden Pub. Inc.** and **Sterling Engine.**

Laclede - Christy Company — Memorandum available — **Herzog & Co.**, 170 Broadway, New York 7, N. Y.

Long Bell Lumber Co.—detailed brochure for dealers only—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are copies of the recently amended Illinois Securities Act.

P. R. Mallory & Co., Inc.—Analytical discussion — **Steiner, Rouse & Co.**, 25 Broad Street, New York 4, N. Y.

Midland Realization and **Midland Utilities Common**—Memorandum—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Midland Utilities and Midland Realization Company—A study of Values and Distribution, prompted by consensus of opinion pointing to near-term liquidation of utilities and realization companies—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available are brochures and statistical information for dealers on **Garrett Corporation and Magnavox Company.**

National Gas & Electric Corporation — memorandum—Model, Roland & Stone, 76 Beaxer Street, New York 5, N. Y.

National Radiator Co.—Analysis, for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

National Terminals Corporation—circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available is a memorandum on **Howell Electric Motors.**

New England Power Association—study of present company and new plan—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Old Ben Coal Corporation—memo on attractive possibilities for capital gain—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Pfaudler Co. — Recent analysis discussing outlook for the company which manufactures glass lined and stainless steel tanks and equipment — **Caswell & Co.**, 120 South La Salle Street, Chicago 3, Ill.

Also an analysis of **Mississippi Glass Co.**

Pittsburgh Railways — Current study—**First Colony Corporation,** 70 Pine Street, New York 5, N. Y.

Public National Bank & Trust Company—Second quarter analysis—for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Purolator Products, Inc.—Study of outlook and possibilities—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Great American Industries; Electrolux; Brockway Motors; Scovill Mfg.; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Southeastern Corp.; Detroit Harvester; Bowser, Inc.; Mohawk Rubber Co.; TACA Airways; American Window Glass.

"Rock Island"—study of improved reorganization profit potentialities—McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation**, 350 Fifth Avenue, New York 1, N. Y.

Serrick Corp.—Current analysis on interesting outlook — Sills, Minton & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

Simplex Paper Corp.—report—White, Noble & Co., Michigan Trust Building, Grand Rapids 2, Mich.

Stromberg Carlson Company—memorandum—Kitchen & Co., 135 South La Salle Street, Chicago 3, Ill.

Submarine Signal Company—late data—Dayton Haigney & Co., 75 Federal Street, Boston, Mass.

Thermatomic Carbon Co.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **American Bantam Car** and a new analysis of **Panama Coca-Cola.**

Tide Water Power Company—analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Wellman Engineering Co.—Descriptive circular — Simons, Linburn & Co., 25 Broad Street, New York 4, N. Y.

Also available is a circular on **Fashion Park, Inc.**

Wellman Engineering—descriptive memorandum — Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, Ohio.

York Corrugating Corp.—Memo on current situation—First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Offering of Treasury Ctfs. For Issue Maturing Aug. 1—Books Closed

The Secretary of the Treasury on July 22 announced an offering, through the Federal Reserve Banks, of ⅞% Treasury Certificates of Indebtedness of series F-1946, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series E-1945, maturing Aug. 1, 1945. Cash subscriptions will not be received. There are now outstanding $2,510,959,000 of the series E-1945 certificates. It was made known on July 23 that the subscription books for the exchange offering would close at the close of business on July 25, except for the receipt of subscriptions from holders of $100,000 or less of the maturing certificates. The subscription books will close for the receipt of subscriptions of the latter class at the close of business, Saturday, July 28. The Treasury announcement regarding the offering said:

"The certificates now offered will be dated Aug. 1, 1945, and will bear interest from that date at the rate of seven-eighths of one percent. per annum, payable semi-annually on February 1 and August 1, 1946. They will mature Aug. 1, 1946. They will be issued in bearer form only, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

"Pursuant to the provisions of the Public Debt Act of 1941, interest upon the certificates now offered shall not have any exemption, as such, under Federal tax acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circular released today.

"Subscription will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington, and should be accompanied by a like face amount of the maturing certificates. Subject to the usual reservations, all subscriptions will be allotted in full."

Extend Mail to Italy

Postmaster Albert Goldman announced on July 23 that information has been received from the Post Office Department at Washington that, effective immediately, mail service for letters not exceeding two pounds three ounces in weight and postcards (including registry service), is extended to include the Italian provinces of Bolzano, Trento and Udine. Accordingly, such mail may be accepted for delivery in the whole of continental Italy (including Sardinia and Sicily), except the provinces of Gorizia, Trieste, and Pola. The advices state:

"Letters and letter packages may not contain merchandise of any kind, but are restricted to communications (personal or business) which are not transactional in character.

"The provisions regarding gift packages for civilians in the Vatican City State and the Italian cities of Rome, Naples and Palermo (Sicily) remain in effect. Parcel-post packages for other places in Italy are not acceptable."

On Untrammeled Voting

(Continued from page 403)

A concerted campaign, we believe, was conducted in every district of the United States, during the course of which non-voters were circularized and telephoned to by official representatives of their respective districts, and solicited to vote affirmatively.

There is no reason for secrecy here. Members and others in the securities field have a right to know what solicitation was used in each district, who contacted the non-voters, how many non-voters were approached and of these how many voted thereafter.

An analysis of the above quoted by-law will serve to prove that a double safeguard was intended: (1) approval by the Board of Governors; (2) approval by a majority of the members voting, **provided, however, that a majority of all members have voted.**

In other words, one of the ways of killing undesirable proposals in the forms of amendments is to have the return indicate a total vote which is short of a majority of all the members.

The first of these safeguards was exercised without any advice sought or given by the membership at large.

The Board of Governors before approving the amendments did not first discuss them with the membership through either oral or written communication.

The Governors' freedom of action was in no wise controlled, advised or interfered with by the membership.

We insist that the same safeguards by a parity of reasoning should have surrounded voting by the members.

In our opinion Article IX of the by-laws contemplates this.

The welfare of the public, and of the investment industry is neither served nor protected by having such a poll as the one that has just been gone through circumscribed as it was with the unrestrained ballyhoo and pressure characteristic of a political campaign.

It was the duty of the Governors and their representatives to make such voting strictly secret.

Secrecy would have insured an independent exercise, or failure to exercise, the franchise as envisaged in Article IX.

Let us see how the current procedure has sullied such independence.

Member X of the NASD received a ballot asking him to vote on the proposed amendments to the by-laws. He was opposed to the contemplated change, believed that to be the prevalent sentiment amongst his confreres, and being familiar with Article IX, for a moment entertained the idea that he would not vote and many others might adopt the same attitude. The ballot would be wholly secret he thought, and the whole plan of regimentation might fail because the result might disclose that a majority of all of the members had not voted. X deluded himself in believing this was a constitutional method inherent in NASD by-laws of accomplishing his purpose **without showing his hand.**

Comes disillusionment in the form of the Executive Director's letter of transmittal. Ballots although separately sealed, had to be accompanied by a letter indicating the member casting each ballot. Who were the voters and who are the non-voters ceased to be a secret. The non-voters were pressured.

Soon letters came from the Chairman of his District Committee. X was urged to vote pro. For business reasons, because he could not afford to antagonize his Chairman, he did so, against his own wishes and best judgment.

You see there was a good reason behind Mr. X's desire not to show his hand.

From its phraseology Article IX must have anticipated such reasons and intended absolute secrecy and total absence of meddling in membership voting on which by-law amendments are predicated.

Having once passed on such proposal, the Governors should not have interfered, either directly, or indirectly, with the vote of the members who should have been permittd absolute freedom of action.

NASD officials will find these new by-laws and the enforcement of them plenty troublesome.

Ohio Brevities

(Continued from page 412)

to the presidency of Ohio Air Express Corp. of Columbus, O., following reorganization as a result of the death of Alfred Jackson of Washington Court House, O., and Detroit, former head of Aeronautical Products Corp. Mr. Lytle is former president and treasurer of A. B. Stoves, Inc. of Battle Creek, Mich., and general manager of Aero Products.

Fifty-five communities are being surveyed to determine their suitability as stops on this proposed feeder line and being given a chance to prove their cases to fit into the pattern of passenger, cargo and mail service which it is contemplated will serve mainly Ohio but reach also into West Virginia, Indiana, Pennsylvania and Michigan.

This development, which would speed Ohio's post-war operations and reconversion efforts, would, through its 3,300 miles of air service, put practically every community in Ohio in direct contact with any place in the world within 65 hours of air travel, the company said. The company plans to change its corporate name to "Great Lakes Airlines."

Don L. McDevitt, Columbus, successful operator of Ohio Institute of Aeronautics and prominent in aviation circles for a number of years, continues as vice-president in the reorganized setup.

Other officers and directors are as follows: Hugh M. Bennett, Columbus attorney, secretary and treasurer; Glen W. Way, Delaware, O., president of Correct Mfg. Co., and Hughes Keenan Co., Mansfield; Carl H. Pratt, Detroit, agriculturist and manager of United Artists Building; James H. Miller, Toledo, partner in New York Stock Exchange firm of Collin, Norton & Co.; Alfred M. Zaebst, Columbus, construction engineer, and Roland H. Rogers, Toledo, attorney and prominent businessman.

* * *

President Frank Purnell announced Youngstown Sheet & Tube Co. arranged to sell $30,000,000 principal amount of its 2¾% first mortgage bonds maturing in 1970. Sale was private to a small group of purchasers.

Mr. Purnell said Sheet & Tube has slashed its funded debt from $87,000,000 on Jan. 1, 1940, to $36,750,000 now, or over $50,000,000 in five years. This has been done chiefly through reduced inventories, a reduction in receivables and accumulation of depreciation, officials said.

* * *

Miles C. McKearney has become associated with Foster & Davies Inc., Cleveland advertising agency, where he will write a new General Electric Co. national lighting campaign in trade magazines and 187 newspapers in 110 cities.

A native Clevelander Mr. McKearney was with the Cleveland Electric Illuminating Co., for 8 years prior to his agency work.

* * *

Colonel Marc J. Grossman has been reelected a director of Continental Industrial Bank of Cleveland. He had been a director before serving about 2 years in the Allied Military Government, 18 months of which was spent in Italy.

* * *

Edward O. Warner, district sales manager at Philadelphia for National Malleable & Steel Castings Co., has retired from active duty.

For nearly a half century he has been closely connected with the development and sale of automatic couplers for railroad cars and other railroad specialties.

* * *

J. J. Mellon, who succeeded the late P. C. Clark as president of Clark Controller Co., on July 14, 1944, has resigned as head of the company to take a secret assignment for the government.

Until a successor is chosen, H. W. Williams, executive vice-president, will act as the chief executive.

* * *

Otis & Co. and Maynard H. Murch & Co., reported heavy oversubscription for 500,000 shares at 23 a share of Seegar-Sunbeam Corp. stock. The Seegar and Sunbeam concerns are in the process of merging. They manufacture boxes and units for refrigerators and over 21% of the stock is owned by Sears Roebuck & Co.

Other houses in the deal were Merrill, Turben & Co., Hornblower & Weeks and Eberstadt & Co. of New York.

Advertising Program Inaugurated By N. Y. Stock Exchange

In furtherance of plans announced recently, the New York Stock Exchange on July 25 inaugurated its campaign of making use of advertising space for imparting public information. In its first advertisement of the kind, presented as "An Open Letter From the New York Stock Exchange to Every Owner of Series E War Bonds," the Exchange says:

The bonds of our Government are the *only* securities this Exchange has ever recommended in the more than 150 years of its existence. We urge you: "Buy War Bonds with certainty. Hold them with confidence."

In its advertisement, the Exchange urges holders of "E" bonds to hold those they already have, stating: "You can't afford to cash them in." It further urges holders to "*Buy more of them,*" saying don't miss the investment opportunity they afford.

A chart is presented in the advertisement showing that the increase in value of an "E" bond is greatest in the later years of the bond's life.

Making known the plans of the Exchange to avail of advertising space from time to time, President Emil Schram, in a letter to members and member firms of the Exchange on June 1 said:

"The Board of Governors of the Exchange has authorized the inauguration, as soon as conditions warrant, of an enlarged program of public information which will involve the use of advertising space and other facilities. Plans for the undertaking are well advanced and it is hoped that the initial messages will begin to appear in July or August, depending, of course, upon the availability of space under present paper restrictions. You will be kept informed, from time to time, as to the progress of the program."

The New York "Herald Tribune" of July 21, referring to the advertising campaign of the Exchange, said in part:

The timing of the "ads" will depend largely on the availability of space, but bi-monthly insertions are planned until the end of the year. Spokesmen explained that, in the ordinary sense, the Exchange has nothing to sell and never promoted any securities except Government obligations.

The New York Curb Exchange is studying the campaign of the "big board" and is considering plans to begin an advertising drive of its own early in the fall season.

The Stock Exchange will emphasize the necessity of sound information, facts and judgment before investments are made and will warn the public against tips and rumors. It will endeavor to bring out the public responsibility of the leading securities market as it has evolved in the last few years.

REDEMPTION NOTICE

Atlanta, Birmingham and Coast Railroad Company

Notice of Redemption of Preferred Stock

NOTICE IS HEREBY GIVEN that Atlanta, Birmingham and Coast Railroad Company by resolutions of its Board of Directors adopted July 19, 1945, has exercised its option, under its Petition for Incorporation and the Certificate of Incorporation issued to it by the Secretary of State of the State of Georgia, to redeem on January 1, 1946, the whole of the Company's outstanding $100 par value Preferred Stock at the redemption price of $103.00 per share together with an amount equal to five per cent. per annum per share from July 1, 1945, to said date of redemption and that on said date the aforesaid redemption price per share ($105.50) will be due and payable and will be paid at the office of The Chase National Bank of the City of New York, 11 Broad Street, New York, N. Y., as Agent of this Company, upon surrender of the certificates for such Preferred Stock by the holders thereof. A form of transmittal letter will be forwarded in due course to each registered holder of Preferred Stock.

From and after January 1, 1946, right to receive dividends on the Preferred Stock shall cease to accrue and all rights of the holders of such stock shall cease and determine except the right to receive said redemption price.

No transfers of the Preferred Stock will be made after the close of business on December 31, 1945.

ATLANTA, BIRMINGHAM AND COAST RAILROAD COMPANY,

Dated: New York 6, N. Y., July 23, 1945. *By:* F. D. LEMMON, *Vice President.*

Prepayment Privilege

Holders of above mentioned Preferred Stock may at any time on and after October 1, 1945, obtain payment of the redemption price thereof upon surrender of their stock certificates at the office of the Agent as aforesaid.

NOTICE OF REDEMPTION

To the Holders of

LOUISVILLE AND NASHVILLE RAILROAD COMPANY

First and Refunding Mortgage 3¾% Bonds, Series E,
dated August 1, 1921, due April 1, 2003,
secured by Mortgage dated August 1, 1921,
to United States Trust Company of New York, Trustee.

Pursuant to the right reserved under Section 1 of Article Four of Louisville and Nashville Railroad Company's First and Refunding Mortgage, dated August 1, 1921, notice is hereby given that Louisville and Nashville Railroad Company has elected to redeem and pay off and does hereby call for redemption and payment on October 1, 1945, all First and Refunding Mortgage 3¾% Bonds, Series E, issued under said Mortgage, which Bonds are dated August 1, 1921, are due April 1, 2003, bear interest at 3¾% per annum, and are now outstanding in the aggregate principal amount of $24,654,000.

Accordingly, each of said Bonds so called for redemption will become due and payable on October 1, 1945, at the agency of the Company, namely, United States Trust Company of New York, Trustee under said Mortgage, whose office is at 45 Wall Street, in the Borough of Manhattan, City and State of New York, at the principal amount thereof and accrued interest thereon to October 1, 1945, together with a premium of five per cent (5%) of the principal amount thereof.

All owners of said Bonds are requested to present their Bonds on said redemption date at said agency of the Company and said Bonds will be paid at 105% of their principal amount as aforesaid, together with accrued interest to said redemption date. Coupon Bonds should be presented with coupons maturing after October 1, 1945. The interest coupons maturing October 1, 1945 will continue to be payable to the respective bearers of such coupons. Bonds in fully registered form, or in coupon form registered as to principal, should be presented indorsed in blank, or accompanied by proper instruments of assignment and transfer in blank.

Interest on said Bonds will cease to accrue on and after October 1, 1945.

LOUISVILLE AND NASHVILLE RAILROAD COMPANY
By: W. J. McDONALD, Vice President.

New York, N. Y., July 26, 1945.

PREPAYMENT PRIVILEGE

Holders and registered owners of above-mentioned Louisville and Nashville Railroad Company First and Refunding Mortgage 3¾% Bonds, Series E, called for redemption on October 1, 1945, may immediately, or at any time prior to said redemption date, obtain payment of the redemption price of said Bonds, together with interest accrued to October 1, 1945, upon surrender of their Bonds at the above-mentioned agency of the Company. Coupon Bonds must be accompanied by all coupons thereto appertaining maturing on and after October 1, 1945. Bonds in fully registered form, or in coupon form registered as to principal should be presented indorsed in blank, or accompanied by proper instruments of assignment and transfer in blank.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

United States of Brazil

(Estados Unidos do Brasil)

To Holders of Dollar Bonds:

The Minister of Finance of the United States of Brazil has extended to and including **December 31, 1945**, the period within which the holders of dollar bonds of the United States of Brazil, its States (other than Ceara) and Municipalities issued prior to January 1, 1944, may elect to accept either Plan A or Plan B described in the Offer to Holders of Dollar Bonds heretofore made as of that date; and accordingly a revised Prospectus has been prepared by which the United States of Brazil offers its 3¾% External Dollar Bonds of 1944 in accordance with the provisions of Plan B above referred to. Copies of the said Prospectus, setting forth the said Offer in full, may be obtained from the respective Special Agents for the several issues of dollar bonds named below at their offices in New York City. Bonds delivered in acceptance of either Plan A or Plan B must be accompanied by appropriate Letters of Transmittal, which may also be obtained from the Special Agents of the several issues, as follows:

Title of Issues	*Special Agents*
U. S. of Brazil 8% of 1921	Dillon, Read & Co.
U. S. of Brazil 7% of 1922	Dillon, Read & Co.
U. S. of Brazil 6½% of 1926	Dillon, Read & Co.
U. S. of Brazil 6½% of 1927	Dillon, Read & Co.
U. S. of Brazil 5% of 1931	Dillon, Read & Co.
State of San Paulo 7% of 1930 (Coffee Realization)	Schroder Trust Company
State of San Paulo 8% of 1921	J. Henry Schroder Banking Corporation
State of San Paulo 8% of 1925	J. Henry Schroder Banking Corporation
State of San Paulo 7% of 1926	J. Henry Schroder Banking Corporation
State of San Paulo 6% of 1928	J. Henry Schroder Banking Corporation
State of Rio Grande do Sul 8% of 1921	Ladenburg, Thalmann & Co.
State of Rio Grande do Sul 7% of 1926	Ladenburg, Thalmann & Co.
State of Rio Grande do Sul 7% of 1927	The Chase National Bank of the City of New York
State of Rio Grande do Sul 6% of 1928	White, Weld & Co.
State of Minas Geraes 6½% of 1928	The National City Bank of New York
State of Minas Geraes 6½% of 1929	The National City Bank of New York
State of Maranhao 7% of 1928	Bankers Trust Company
State of Pernambuco 7% of 1927	White, Weld & Co.
State of Rio de Janeiro 6½% of 1929	City Bank Farmers Trust Company
State of Parana 7% of 1928	The Chase National Bank of the City of New York
State of Santa Catharina 8% of 1922	Halsey, Stuart & Co. Inc.
City of Rio de Janeiro 8% of 1921 (Federal District)	Dillon, Read & Co.
City of Rio de Janeiro 6½% of 1928 (Federal District)	White, Weld & Co. and Brown Brothers Harriman & Co.
City of Rio de Janeiro 6% of 1928 (Federal District)	White, Weld & Co. and Brown Brothers Harriman & Co.
City of Sao Paulo 6% of 1919	The Chase National Bank of the City of New York
City of Sao Paulo 8% of 1922	City Bank Farmers Trust Company
City of Sao Paulo 6½% of 1927	First of Boston International Corporation
City of Porto Alegre 8% of 1922	Ladenburg, Thalmann & Co.
City of Porto Alegre 7½% of 1926	Ladenburg, Thalmann & Co.
City of Porto Alegre 7% of 1928	Ladenburg, Thalmann & Co.

The Government's offer to redeem State of Ceara 8% Bonds of 1922 at 12% of their principal amount is not limited as to time. Payment for such bonds is made at the office of Dillon, Read & Co. in New York City.

For the United States of Brazil:

MARIO DA CAMARA,
Acting Delegate of the Brazilian Treasury in New York

New York, July 24, 1945.

Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, JULY 26

KINGS COUNTY LIGHTING CO. on July 6 filed a registration statement for $4,200,000 first mortgage bonds due 1975. The interest rate will be filed by amendment.

Details—See issue of July 12.

Offering—The price to the public will be filed by amendment.

Underwriting—The bonds are to be offered for sale under the Commission's competitive bidding rule and the names of underwriters will be filed by amendment.

TAPPAN STOVE CO. on July 6 filed a registration statement for 25,250 shares of capital stock, par $5 per share.

Details—See issue of July 12.

Offering—Stockholders of record July 24 will be given the right to subscribe at $27 per share in ratio of one new for each four shares held. The unsubscribed shares will be sold to the underwriters for offering to the public.

Underwriting—McDonald & Co., Cleveland, heads the underwriting group.

SATURDAY, JULY 28

EVERSHARP, INC., on July 9 filed a registration statement for 32,500 shares of common stock, par $1. Shares are issued and outstanding and are being sold for the account of certain stockholders.

Details—See issue of July 19.

Offering—The price to the public will be filed by amendment.

Underwriters—Lehman Brothers heads the underwriting group.

SOUTH COAST CORP. on July 9 filed a registration statement for $2,500,000 first (closed) mortgage 4¼% sinking fund bonds, due June 30, 1960.

Details—See issue of July 19.

Offering—The price to the public will be filed by amendment.

Underwriters—Paul H. Davis & Co. will head the underwriting group.

SUNDAY, JULY 29

BROOKLYN BOROUGH GAS CO. on July 10 filed a registration statement for $3,640,000 first mortgage bonds due Aug. 1, 1970. The interest rate will be filed by amendment.

Details—See issue of July 19.

Offering—The price to the public will be filed by amendment.

Underwriters—The bonds will be offered for sale at competitive bidding and the names of underwriters filed by amendment.

MONDAY, JULY 30

BROOKLYN BOROUGH GAS CO. July 11 filed a registration statement for 15,000 shares cumulative preferred stock. The stock will be sold at competitive bidding and the dividend rate filed by amendment.

Details—See issue of July 19.

Offering—Price to public to be filed by amendment.

Underwriters—To be filed by amendment.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for $500,000 serial 4½% equipment trust certificates.

Details—See issue of July 19.

Offering—The price to the public of the different series will be filed by amendment. The average price to the public is given as 100.47.

Underwriters—S. K. Cunningham, Inc., Pittsburgh, and John Nordman Co., St. Louis, Mo.

TUESDAY, JULY 31

SEABOARD FINANCE CO. on July 12 filed a registration statement for $3,000,000 5% 10-year sinking fund debentures due Aug. 1, 1955, and 70,000 shares cumulative preferred stock, series A, with common stock purchase warrants.

Details—See issue of July 19.

Offering—The price to the public is 100 for the debentures and $30 per share for the preferred.

Underwriters—The underwriting group is headed by Van Alstyne, Noel & Co., and Johnson, Lemon & Co.

SOLAR AIRCRAFT CO on July 12 filed a registration statement for 50,000 shares of common stock, par $1.

Details—See issue of July 19.

Offering—Price to the public will be filed by amendment.

Underwriters—Reynolds & Co. is named principal underwriter.

SUNDAY, AUG. 5

ANCHORAGE HOMES, INC., has filed a registration statement for 505,000 shares of Class A capital stock, par $1, and 250,000 shares of Class B stock, par 10 cents.

Address—7 Court Street, Arlington, Mass.

Business—Company was incorporated on April 23, 1945, for the purpose of manufacturing, distributing and erecting prefabricated homes.

Offering—There is to be presently offered to the public 250,000 shares of Class A and 50,000 shares Class B to be offered in units of 10 shares of Class A and 2 shares of Class B at a price of $60.20 per unit.

Proceeds—The proceeds will provide the corporation with sufficient working capital to carry out the corporation's program for the manufacture, distribution and erection of prefabricated houses and the component parts thereof and provide the corporation with the facilities and working capital to accept orders.

Underwriters—Andre de Saint-Phalle & Co., heads the underwriting group.

Registration Statement No. 2-5834. Form S-1. (7-17-45).

MONDAY, AUG. 6

W. T. GRANT CO. has filed a registration statement for 150,000 shares of cumulative preferred stock, $100 par. The dividend rate will be filed by amendment.

Address — 1441 Broadway, New York, N. Y.

Business—Operates a chain of 490 popular-priced stores located in 39 states.

Offering—Holders of company's outstanding 5% cumulative preferred stock will be given an opportunity by the underwriters to acquire the new preferred stock at public offering price in exchange for present shares by offering their present shares which will be received at the redemption price of $22 per share plus accrued dividends. Offering price will be filed by amendment.

Proceeds—The proceeds will be used for the redemption of the outstanding shares of 5% cumulative preferred stock, $20 par, at $22 per share and for additional working capital.

Underwriters—Lehman Brothers is named principal underwriter.

Registration Statement No. 2-5835. Form A-2. (7-18-45).

SATURDAY, AUG. 11

SOLAR MANUFACTURING CORP. has filed a registration statement for $1,500,000 5% 15-year sinking fund debentures due Aug. 1, 1960; five-year common stock purchase warrants to purchase 57,500 shares and a like amount of common shares issuable upon the exercise of the warrants. The company proposes to sell the debentures plus 20,000 warrants to an underwriting group headed by Van Alstyne, Noel & Co. Each $1,000 debenture will have attached a non-detachable warrant entitling the holders to purchase 25 shares of common.

Address—285 Madison Avenue, New York, N. Y.

Business — Manufactures fixed condensers.

Offering—The price per unit to the public will be 100.

Proceeds—The net proceeds from debenture sale will approximate $1,425,000 and will be used to retire mortgages on corporation's Chicago and North Bergen N. J., plants, to reimburse the treasury for outlays for facilities at North Bergen, to buy new equipment and to provide additional working capital for post-war operations.

Underwriters—Van Alstyne, Noel & Co. heads the underwriting group.

Registration Statement No. 2-5836. Form S-1. (7-23-45)

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ACF-BRILL MOTORS CO. on June 30 filed a registration statement for 190,464½ warrants. The warrants are issued and outstanding and are being sold by American Car & Foundry Investment Corp.

Details—See issue of July 12.

Offering—The warrants entitle the holder to subscribe to the common stock of the company. The selling stockholder, American Car & Foundry Investment Corporation, proposes to offer the warrants for sale to the public commencing approximately Aug. 1, 1945, with the price to be determined from day to day by market sales of the warrants.

Underwriters—None mentioned.

AMERICAN ENGINEERING CO. on Feb 27 filed a registration statement for $3,000,000 5% 15-year sinking fund debentures due 1960 and 200,000 shares of common stock. Of the stock registered 132,000 shares are issued and outstanding and being sold by stockholders.

Details—See issue of March 8.

Offering—The debentures will be offered at 100 and the common stock at $7.50 per share

Underwriters—Van Alstyne, Noel & Co heads the underwriting group, with the names of others to be supplied by amendment.

ARKANSAS-MISSOURI POWER CORP. on Dec. 4 filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, due Dec. 1, 1974.

Details—See issue of Dec. 7, 1944.

Offering—The bonds will be offered for sale at competitive bidding.

Issue Awarded July 23 to Dick & Merle-Smith on bid of 102.1749.

EASTERN GAS & FUEL ASSOCIATES on June 29 filed a registration statement for $40,000,000 first mortgage and collateral trust bonds due 1965. Interest rate will be filed by amendment.

Details—See issue of July 5.

Offering—Price to public will be filed by amendment.

Underwriters—Bonds will be sold at competitive bidding and names of underwriters will be filed by amendment.

CENTRAL OHIO LIGHT & POWER CO. on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

COMMERCIAL CREDIT CO. on June 7 filed a registration statement for 250,000 shares of preferred stock ($100 par). Dividend rate will be filed by amendment.

Details—See issue of June 14.

Offering—Company is offering the holders of the 121,938 shares of 4¼% cumulative convertible preferred stock to exchange their stock, share for share, for the new preferred. The underwriters have agreed to purchase any of the 250,000 shares of preferred not issued in exchange for outstanding preferred. Company will call any of the old preferred at $105 per share plus accrued dividends.

Underwriters —Kidder, Peabody & Co and First Boston Corp. are named principal underwriters.

CONTAINER ENGINEERING CO. on June 15 filed a registration statement for 25,000 shares common stock (par $10).

Details—See issue of June 21.

Offering—Price to the public is given as $35 per share.

Underwriters—William L. Ullrich, St. Louis, will manage the sale of the entire issue.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents per share.

Underwriters—None named. The company proposes to market its own securities

CUP MACHINE SERVICE CORP. on June 11 filed a registration statement for 8,000 shares of preferred stock ($50 par) and 75,000 shares of common stock (10 cents par).

Details—See issue of June 21.

Offering—The preferred stock will be sold at $50 and the common stock at 10 cents per share.

Underwriting—None.

Registration statement withdrawn July 20.

FLORIDA FOODS, INC., on June 30 filed a registration statement for 56,000 shares of $2 cumulative convertible preferred stock and 280,000 shares of common reserved for conversion of the preferred.

Details—See issue of July 12.

Underwriters—Principal underwriters are Paine, Webber, Jackson & Curtis and First Boston Corp.

FERRO ENAMEL CORP. on June 30 filed a registration statement for 58,264 shares of common stock, par $1.

Details—See issue of July 12.

Offering—Company is offering to common stockholders the right to subscribe to the new common at the rate of one share for each four shares held, the price to be filed by amendment. Unsubscribed shares will be sold to underwriters for offering to the public.

Underwriters—Maynard H. Murch & Co. heads the underwriting group.

GASPE OIL VENTURES, LTD., on May 8 filed a registration statement for 1,500,000 shares of common stock ($1 par) and 200,000 common share purchase warrants and 200,000 shares of common reserved for warrants.

Details—See issue of May 17.

Business—Exploration and development of oil wells.

Offering—Price to the public is 60 cents per share. The underwriter will receive purchase wararnts for the purchase of 2,000 shares of common for each 15.000 shares of common stock sold in the offering at a price of 45 cents per share.

Underwriter—Tellier & Co.

GENERAL PHOENIX CORP. on June 29 filed a registration statement for $1,000,000 12-year 4% convertible subordinated debentures due July 17, 1957.

Details—See issue of July 12.

Offering—Price to the public will be filed by amendment.

Underwriters—Group is headed by Paine, Webber, Jackson & Curtis.

A. HARRIS & CO. on April 23 filed a registration statement for 7,000 shares of 5½% cumulative preferred stock (par $100).

Details—See issue of April 26.

Offering—The new preferred will be offered initially to the common stockholders at $100 per share on the basis of one share of preferred for each share of common. Any shares not subscribed will be offered pro rata to the former holders of the 7% preferred shares which shares have been called for redemption on May 1, 1945. Any balance will be offered to the public by the underwriter at $102.

Underwriters—Dallas Rupe & Son of Dallas, Texas.

JOHNS-MANVILLE CORP. on June 29 filed a registration statement for 170,000 shares of 3½% cumulative preferred stock (par $100) and 170,000 shares of common, reserved for issuance upon conversion of the 3½% cumulative preferred stock.

Details—See issue of July 5.

Offering—Company will offer to common stockholders of record July 21 rights to subscribe to new preferred at $100 per share on basis of one share of preferred for each five shares of common. Warrants will expire at noon on Aug. 4, 1945. Unsubscribed stock will be purchased by the underwriters and sold to the public.

Underwriters—Underwriters are: Morgan Stanley & Co., Clark, Dodge & Co., Dominick & Dominick, First Boston Corp., Harriman Ripley & Co., Inc., Hornblower & Weeks, Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, F. S. Moseley & Co., Paine, Webber, Jackson & Curtis, Smith, Barney & Co., Union Securities Corp., White. Weld & Co., Dillon, Read & Co., Inc., and Kuhn, Loeb & Co.

MARICOPA RESERVOIR & POWER CO. on June 29 filed a registration statement for $3,343,500 4% income debentures due May 1, 1970, and $4,458 shares of common stock, no par.

Details—See issue of July 5.

Offering—Company is offering, to holders of $3,343,500 3% income bonds due Oct. 1, 1959, units consisting of $750 of 4% income bonds and one share of its common stock, in exchange for each $750 outstanding income bond, in connection with the plan of reorganization.

Underwriters—The Dunne-Israel Co.

METROPOLITAN CLUB, INC., on June 20 filed a registration statement for $2,000,000 25-year 2½% refunding mortgage bonds.

Details—See issue of June 28.

Underwriters.—None.

MONONGAHELA POWER CO. on June 30 filed a registration statement for $22,000,000 first mortgage bonds, due 1975, and 90,000 shares of cumulative preferred stock, par $100. The interest and dividend rates will be filed by amendment.

Details—See issue of July 12.

Offering—The securities will be offered for sale at competitive bidding. The offering prices to the public will be filed by amendment.

Underwriters—The names of underwriters will be filed by amendment.

NEW YORK STATE ELECTRIC & GAS CORP. on June 27 filed a registration statement for $10,000,000 first mortgage bonds, due 1973, and 150,000 shares of cumulative preferred stock. Interest rate on bonds and dividend rate on preferred stock will be determined by competitive bidding.

Details—See issue of July 5.

Offering—Price to public will be filed by amendment.

Underwriters—Stock and bonds will be sold at competitive bidding and names of underwriters will be filed by amendment.

O. K. CO-OP RUBBER WELDING SYSTEM on June 12 filed a registration statement for 500 shares, par value $1,000 designated as "participating members shares" and 800 units of $500 each of preferred 7% debenture certificates.

Details—See issue of June 21.

Offering—The securities are to be sold at their par or face value to the owners and operators of O K Tire Servicing Stores and to employees, customers and suppliers of the trust and of the several businesses being acquired by the trust.

Underwriting—None named.

PACIFIC GAS & ELECTRIC CO. on May 4 filed a registration statement for 700,000 shares of common stock (par $25). The shares are owned by the North American Co. which is offering them.

Details—See issue of May 10.

Awarded May 22 to Blyth & Co., Inc. at $36.76 7/10 per share.

The SEC on May 23 refused to approve the bid, stating that competition had "been stifled."

PHILADELPHIA & READING COAL & IRON CO. on June 23 filed a registration statement for 412,596 common shares (par $1), and warrants to purchase a like number of common shares.

Details—See issue of June 28.

Offering—Warrants to purchase 4 common shares for each 10 shares held were mailed July 18, 1945, to holders of record July 16. In exercising warrants, holders of general mortgage 6% income bonds to which the stock certificates of the reorganized company are attached may use their bonds in payment of the subscription price for the new common shares up to 95% of the original amount of these bonds, a 5% payment in reduction of principal having been made on these bonds on April 1, 1945. Rights expire July 31.

The offering price of the stock is $11 per share.

Underwriters—In an amendment filed July 13 company announced that offering would be made without underwriters. Originally Harriman Ripley & Co., Inc. and Drexel & Co., were named underwriters.

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares of 4½% preferred stock (par $100).

Details—See issue of April 26.

Offering—The company will offer the 63,784 shares of preferred stock in exchange for the 29,182 shares of 7% and 34,602 shares of 6% preferred stock now outstanding on a share for share basis with a dividend adjustment in each case and $5 in cash for each share of 7% preferred stock exchanged.

Underwriters — The company has retained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).

Details—See issue of June 7.

Business—Oil and gas business.

Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

ST. JOSEPH LIGHT & POWER CO. on Feb. 28 filed a registration statement for 13,056 shares of Class A 5% cumulative preferred stock, par $100.

Details—See issue of March 8.

Offering—The company is offering 13,056 shares of its Class A 5% preferred shares in conversion share for share of the outstanding 5% cumulative preferred shares held by others than Cities Service Power & Light Co.

Underwriters—The company has retained Estabrook & Co., G. H. Walker & Co. and Prescott, Wright, Snider Co. as exchange agents to secure and procure consents of preferred shareholders to the conversion.

The company also proposes to refund the $4,806,000 first mortgage bonds, 4½% series due 1947 and to reduce the aggregate principal amount of its indebtedness to $3,750,000 by redeeming the outstanding bonds and issuing $3,750,000 of new bonds. The bonds will be sold at competitive bidding.

SOUTHERN BELL TELEPHONE & TELEGRAPH CO. on June 25 filed a registration statement for $45,000,000 2¾% debentures, due Aug. 1, 1985.

Details—See issue of June 28.

Offering—Price to the public will be filed by amendment.

Underwriters—Company will offer the bonds for sale at competitive bidding and the names of underwriters will be filed by amendment. Bids will be received until 11 a.m. on July 30, 1945.

Bids Invited—Company is inviting bids for purchase of debentures, to be received up to 11 a.m. EWT in New York, July 30.

SOUTHWESTERN ELECTRIC SERVICE CO. April 18 filed a registration statement for $2,375,000 first mortgage bonds, 3⅜% series due 1975; 8,500 shares 4¾% cumulative preferred stock (par $100) and 128,935 shares of common (par $1).

Details—See issue of April 26.

Offering — Holders of the outstanding common stock of Southwestern Public Service Co. will be given the right to subscribe to the 128,935 shares of common at the rate of one share of common of Southwestern Electric for each five shares of common of Southwestern Public Service. The subscription price will be filed by amendment. The public offering price of any unsubscribed common and of the bonds and preferred stock will be filed by amendment.

Underwriters—To be filed by amendment.

STANDARD AIRCRAFT PRODUCTS, INC. on June 30 filed a registration statement for 450,000 shares of common stock 2-cent par value. Of the total 122,680 shares are unissued and the balance is held by two stockholders: R. N. Webster 243,320 shares and A. L. Webster 84,000 shares.

Details—See issue of July 12.

Offering—To be filed by amendment.

Underwriters—To be named by amendment.

Registration statement withdrawn July 17.

UNIVERSAL CAMERA CORP. on March 19 filed a registration statement for 663,500 shares Class A common stock, par value one cent a share, with Class A common stock purchase warrants. Of the total 530,500 are issued and outstanding and are being sold by certain stockholders.

Details—See issue of March 29.

Offering—The initial offering price is $5 per share. Of the 133,000 shares being offered for account of company, 20,000 are to be offered to employees at $4.25 per share. Shares not subscribed for by employees will be sold to public through underwriters along with the rest of the public offering. For every ten shares of common stock bought, purchasers, other than employees, will receive warrants to subscribe to one share of common stock, at $5 per share, on or before Dec. 31, 1948. Employees will receive such warrants for each five shares of common stock purchased.

Underwriters — Floyd D. Cerf Co. is named principal underwriter.

Stop Order Action—The SEC on June 29 dismissed the stop order proceedings commenced April 10, 1945. In its opinion the Commission said it is satisfied that the amendments subsequently filed by the company substantially correct the deficiencies cited in the notice of the proceeding except those relating to the warrants.

WESTERN CONDENSING CO. on June 29 filed a registration statement for 10,000 shares of 5% cumulative series A convertible first preferred stock ($100 par) and 50,000 shares of common stock (par $2.50).

Details—See issue of July 12.

Offering—Price to the public will be filed by amendment.

Underwriters—Dean Witter & Co.

Sexton & Groves Is Formed in Savannah

SAVANNAH, GA.—William H. Sexton announces that Charles W. Groves has become associated with him as a partner in the securities business under the firm name of Sexton & Groves, with offices in the Liberty Bank Building. The firm will do a general investment business, with emphasis on investment trust shares and listed and unlisted local securities.

Mr. Groves has been connected with Varnedoe, Chisholm & Co. for the past 12 years. Mr. Sexton has been in the securities business since 1918, having started with the bond department of the Citizens & Southern National Bank of Savannah at that time. He has been in business for himself since 1936.

The Political Outlook

(Continued from first page)

which will require generations to pay off, if at all. It is absolutely fair to state that not one of these efforts was administered without color discrimination, concerning which Mr. Roosevelt made no statements, wrote no documents, and used none of his great political power to diminish or avert."

And the author prefaced his necrology by saying: "The death of President Franklin D. Roosevelt was the signal for such a hurricane of mushy sentimentalism, sheer bunk, sugary platitudes, and assorted hokum as America has not seen in many, many years."

It will be a surprise to most of us to find the negro intelligentsia bitterly critical of the late President, whose fame rests on his humanitarianism. Of course, he was also an unsurpassed master of the political game, playing ball with the colored people and the Southern Democrats at the same time. But in effect, he made things much worse by adding fuel to the fire of racial conflicts.

Racial problems are due to irrational sentiments and cannot be eliminated by arguments, nor by force. To bring the problem sharply into the fore, as Mr. and Mrs. Roosevelt did, means to make people on both sides more acutely conscious of the issue. The only way to overcome the tension is by gradual adaptation and assimilation, which take time, and a tactful approach. One of the unpleasant post-war heritages of the New Deal is racial trouble such as this country has not seen since the Civil War.

The New Political Set-Up

That enhanced trouble is due in part to war-time wages and migrations; in part to the loud advertising of ideologies which could not be realized. In this respect, the new Administration means a new departure. President Truman speaks more in matter-of-fact terms, using more of the common sense type of arguments and less of the colorful and imaginative approaches. Lacking the fascinating personality and the vast store of popularity which made his predecessor often independent of Congress, he has to rely on conventional political stratagems, especially on courting the favor of the political bosses.

There is, indeed, this difference between the old and the new Democratic administration: that the former could afford to act independently of Congress and even to boss it, while Mr. Truman has to avoid antagonizing his own party. But the difference should not be rationalized, as it often is, into believing that we will have a more "constitutional" government from here on. Mr. Roosevelt took his hat off before Congress when he had to, like in the conflict with Senator Barkley, and Mr. Truman in turn asked in his reorganization plan for more power than F.D.R. ever did. The difference is one in tactics only, and even that is doubtful in view of such attempts as to railroad the Bretton Woods and San Francisco "charters" through Congress.

The Truman Myth

But the country is resounding with publicity that advertises the new President as a return to conservative standards, to economy, to Americanism, and what have you. Note that much of this propaganda stems from the Republican side. It had the effect of convincing the average businessman that the New Deal is being replaced by something that would be more to his taste, that radicalism is gone, that from here on America's interests are well taken care of, the era of spending orgies is over, etc. The background of the new President is being pictured as that of a "dirt-farmer" and typical Midwesterner, a "normal" politician without ideological prejudices, a believer in free enterprise, an American not biased in favor of Europe—all in alleged contrast to the Rooseveltian regime and what it stood for.

In reality, Mr. Roosevelt was not totally to the "left," and still less is Mr. Truman to the "right." The one was not a pure idealist, and the other is not a politician devoid of New Deal traditions. If there is something certain about the latter, it is the fact that he is an "honest politician." He has proven that by his faithfulness to the Pendergast machine to which he owes his career, even to the very unusual extent of dismissing an Attorney General who has prosecuted his (Truman's) former boss. If anything can be expected with certainty, it is that he will be faithful to those who have put him in power. He was nominated by F. D. R., and "cleared" with Sidney. What is more, it will not be the Republicans who shall re-elect him.

That does not exclude, of course, substantial changes of personnel. But such changes occurred many times under F.D.R., and most of the administrative chiefs dismissed by Truman were slated for dismissal anyway. The new men are chosen entirely from among the old New Deal set. Actually, the responsible men are just about the same as before. It is the same Harry Hopkins, Jimmie Byrnes and Joseph Davies who manage our foreign policy. There is no sign that Justice Frankfurter's and Justice Black's influence on our justice is declining—to the contrary, as the Associated Press and labor cases indicate. The monetary ideology is the same, too, borrowed from Lord Keynes, with control vested in the trusted hands of the same men as before, such as Messrs. Vinson and Eccles. Mr. Snider, too, is an old hand in the R.F.C. Where the administration changed, the principles did not. The OPA, for one, is run with as much "wisdom" as ever.

No Change of Policy

That's the surest way to describe what is going on. That's what Mr. Truman promised when he took office, and he sticks honestly to the spirit, not only to the letter of his promise. Take the Hatch-Burton-Ball bill, which he apparently favors. It amounts to closing the gaps left in the vicious Wagner Act, in making the unions complete masters by compulsory arbitration, and by enforcing the closed shop, with no provision whatsoever to control the union bosses.

Perhaps the most misleading claim about the new President is the allegation that he is bent on economy in government. It is based on the records of the Truman Committee, which has advocated a few billion dollars of economies, and criticized individual cases of excessive waste. That Committee accomplished useful results, but managed in effect to focus public attention on subordinates and on minor mischiefs, distracting from the big money spending and its source in the White House.

Be that as it may, three months into office gives some idea of the President's intentions. They are anything but "economy"-minded. One of his first acts was to have the banks invited to unlimited credit extension to "small business," with 75% RFC guarantee, followed by the Defense Plant Corporation's 100% guarantee offer. If after the ending of the European war the deficit is to stay almost as high as it was before, the responsibility may not be altogether his. But he cannot escape responsibility for the fact that very few bureaucrats are slated for early elimination, and that all of them receive substantial raises. The same holds for his encouragement to Congress that its members should vote themselves an extra $2,500 for "expenses." And his $25 a week dole proposal for the unemployed goes beyond anything his predecessor suggested.

True, some changes are visible in the actual enforcement of policy, especially in the labor field. In the granting and refusing of wage hikes, there is less petty favoritism and discrimination, and the law is more strictly applied than it used to be. The importance of getting away from some arbitrary methods in administration should not be underestimated, but it does not affect the trend of policy. In regard to direct subsidies, which run now at $2 billions annual rate, such as for copper and zinc, as an example, the same laxity prevails as before and with even less justification.

As to post-war plans, the inflationary tendency of the present Administration goes far beyond the previous. It is expressed in the reduction of gold reserve requirement shall budget each year in through Mr. Vinson—of the Murray-Dingell bill: that the governments hall budget each year in advance a vast volume of public works to support "full employment." All indications are that deficit spending on a huge scale is in the cards. The road builders' organization has been told officially that $5 billions are to be spent annually by Federal authorities on construction, and reports about other billions for buildings, etc., are current, too. The same objective will be served by the unsound plan of forcing exports by granting foreign loans, and indirectly also by peacetime conscription.

Fred Vinson, in his latest report, summed up the official program of "stabilization": hold prices, raise wages, lower taxes, institute public works, and increase social security benefits. Briefly, spend more and take in less—the program of progressive inflation. Breaks, if any, come from Congress that has made more or less feeble attempts to cut the expenses of OWI, and FEPC, and to eliminate overtime pay in Federal offices. As under Roosevelt, the Administration always resists and usually frustrates such attempts.

Promoting free enterprise is the ground on which Mr. Truman earns most applause. Indeed, the stock market boom of the last two months was stimulated in no small measure by the expectation that with respect to regimentation, especially of rails and utilities, he will be far more friendly to business than FDR has been. But under FDR, too, a certain relaxation in matters of business "persecution" has been visible lately, and the rise of capital values started long before his death. One has heard of a conservative swing in the New Deal for a year or longer, and there is no sign as yet that Mr. Truman intends to improve on it. His basic attitude is indicated by the official plans to continue regimentation after the war, and by the attempt to stop by fiat the boom in real estate and securities—taking another leaf from the Roosevelt book.

As to foreign affairs, it would be difficult to find even a shade of difference between Roosevelt's and Truman's approach. The latter sticks to the routine of the former, in general policy as well as in the technique of diplomacy, with a subservience to his predecessor such as no American President has ever followed. The Dumbarton Oaks - San Francisco Charter, the Bretton Woods project, and the new Reciprocal Tariff Act — pet children of the late President — are being put over faithfully and to the letter. So is the policy of destroying the economy of defeated Germany, insisting on the absolutely unconditional surrender of Japan, handing out Poland and Central Europe to Russia, restoring unconditionally the colonial empires. There seems to be a change in our policy in China (in favor of Chiang Kai-shek), but the turning point, if any, occured last winter.

Above all, the most fallacious heritage of the Roosevelt era is being fully accepted by Truman: the fallacy, well exploded by Senator Taft, that employment should be created at home by spending abroad. Giving the Export-Import Bank $3.5 billions, planning an additional $3-5 billions for Britain, $6—12 billions for the Soviets, and more for France, Holland, China, etc., are typical of the trend—exactly the same as before.

Our diplomacy, too, appears to be managed on the well-known pattern: to buy Russian good-will and co-operation, cost what it may. It is beautifully illustrated by the success to Moscow and Hopkins mission to Moscow and its circumstances.

Just about a week before full agreement had been reached at San Francisco, the Russians threw one more "monkey-wrench" into the debate. All of a sudden, they demanded that the previously conceded right of the small-fry to debate should be curtailed, a claim the hopelessness of which Moscow must have known in advance. The small countries, led by Australia, retaliated with the threat of reopening the veto issue and blowing up the Conference. Then, all of a sudden, the Russians withdrew, and everything stood where it was before.

DIVIDEND NOTICES

Quarterly Dividend . . .

A quarterly dividend of ten cents will be paid on Hallicrafters common stock on August 15th to stockholders of record of August 1st.

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160TH COMMON DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock and Common Stock B of THE AMERICAN TOBACCO COMPANY, payable in cash on September 1, 1945, to stockholders of record at the close of business August 10, 1945. Checks will be mailed.

EDMUND A. HARVEY, *Treasurer*

July 25, 1945

INTERNATIONAL HARVESTER COMPANY

Quarterly dividend No. 108 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable September 1, 1945, has been declared to stockholders of record at the close of business August 4, 1945.

SANFORD B. WHITE
Secretary

SOUTHERN RAILWAY COMPANY

New York, July 24, 1945.

A regular quarterly dividend of Seventy-five Cents (75¢) per share on 1,298,200 shares of Common stock without par value of Southern Railway Company, has today been declared, out of the surplus of net profits of the Company for the fiscal year ended December 31, 1944, payable on Saturday, September 15, 1945, to stockholders of record at the close of business Wednesday, August 15, 1945.

Checks in payment of this dividend will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

J. J. MAHER, *Secretary*.

Bayuk Cigars Inc.

A dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of this Corporation was declared payable Sept. 15, 1945, to stockholders of record Aug. 31, 1945.

Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
July 20, 1945

MAKERS OF PHILLIES

---

a.c.f.

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET
NEW YORK 8, N. Y.

The following dividends have been declared:

Preferred Capital Stock

One and three-quarters per cent (1¾%) payable October 1, 1945, to the holders of record at the close of business September 21, 1945;

Common Capital Stock

Three dollars ($3.00) per share payable October 2, 1945, to the holders of record at the close of business September 21, 1945.

Transfer books will not be closed. Checks will be mailed by Guaranty Trust Company of New York.

CHARLES J. HARDY, *Chairman*
HOWARD C. WICK, *Secretary*

July 18, 1945

EATON MANUFACTURING COMPANY
Cleveland, Ohio

DIVIDEND NO. 82

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Seventy-five Cents (75c) per share on the outstanding common stock of the Company, payable August 25, 1945, to shareholders of record at the close of business August 6, 1945.

July 24, 1945

H. C. STUESSY,
Secretary & Treasurer

LIQUIDATION NOTICE

The Farmers & Merchants National Bank of Eureka, located at Eureka in the State of Nevada, is closing its affairs. All note holders and other creditors of the association are therefore hereby notified to present the notes and other claims for payment.

Dated: June 16, 1945.

C. L. TOBIN, Cashier.

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Reports of a change in the differential discount rate, as well as unconfirmed rumors of important nearby developments in the war with Japan had an unsettling effect on the Government bond market last week. . . . Also contributing to the nervousness of the market was some uncertainty as to the policy of the new Secretary of the Treasury, and rumblings of dissatisfaction over the results of the Seventh War Loan, from the standpoints of the substantial amount of bank credit that was used and the large number of speculative purchases, and "free riders." . . .

As a result the Government bond market, after several issues had made new all time highs, had one of its sharpest recessions of the year. . . . The whole list was under pressure with the largest declines taking place in the 2½s due 9/15/67/72, the 2½s due 1956/58, and the 2¼s due 1956/59 and 1959/62.

The intermediate maturities gave ground, led by the 2s of 1952/54, and the 2s of 1951/53. . . . The short bonds as well as the notes and certificates were lower. . . . The partially exempts declined in sympathy with the taxables. . . .

THE DISCOUNT RATE

One of the factors contributing to the decline in the Government bond market was the report of an impending increase in the differential discount rate, by the Federal Reserve Bank of New York, from ½ of 1% to either ⅝ of 1% or ¾ of 1%. . . . The current rate was instituted on Aug. 30, 1942 and has been in effect ever since. . . . It permits member banks to borrow from the Federal Reserve Bank at ½ of 1% on direct Government obligations maturing in one year or less. . . .

The regular discount is 1% and member banks can borrow on Government bonds and eligible commercial paper at this rate, having a maturity of one year or more. . . .

Action by the New York Reserve Bank will no doubt be approved by the Federal Reserve Board. . . . Rumors persist that the change in the differential discount rate will be announcd today (Thursday). . . .

OBJECTIVE

The reason put forth for the reported increase in the differential discount rate is that such a change would be an attempt to make short-term Government obligations more attractive to the banks and thus discourage to some extent the recent trend toward the longer maturities. . . .

SHAKEOUT

Whether such a change in the discount rate would accomplish what the "Federal authorities" hope for, cannot be indicated at this time, although it has already resulted in a substantial shake-out in the longer maturities of the bank eligible securities. . . . So far the decline in these obligations has not been too substantial in view of the sharp rise that hase taken place in them. . . .

At least the psychological effect thus far has been to scare buyers away from the longer maturities, since it is the feeling of some, that any change in the discount rate would indicate that Federal does not want interest rates to go any lower, particularly in the longer term obligations. . . .

This has been interpreted to mean that we have reached the plateau of interest rates. . . . Money market experts point out that even if there is a change in the discount rate, money rates of necessity will remain low because of the large amount of deficit financing that must be done, and the fact that debt charges must still be bearable. . . . With continued low money rates and the technical position of the market improved, prices will not recede much, from these levels, except for psychological reasons, which are generally of short duration. . . .

TEMPORARY EFFECT

Some experts believe that a change in the discount rate cannot have any permanent effect on the prices of the longer term bank eligible issues, if the Treasury follows its present policy of financing. . . . It was noted that the Treasury in order to keep down the debt burden and to curtail the increase in bank earnings, has indicated that future deficits will be financed by short-term low income obligations. . . . This will mean a shortage of the higher income longer term issues that can be bought by the commercial banks. . . .

After the initial effects of a change in the discount rate have worn off, it is believed that the demand for the longer term high coupon issues will be felt again and these obligations will move ahead from these levels. . . .

Accordingly this group is advising investors to take advantage of price weakness in the 2s and 2½s to pick up obligations that will give them a satisfactory income and will fit into their portfolio. . . .

OTHER VIEW

Others in the market are of the opinion that an increase in the differential discount rate, without a change in financing policy, will mean that the commercial banks with savings deposits will hold only those bills and certificates that will be needed to meet deposit changes. . . . The rest will be sold and the proceeds reinvested in the longer term issues, at levels that will give them enough return to meet the cost of their time deposits. . . .

RAISING SHORT-TERM RATES

Suggestions have been made that the short-term rates be allowed to rise moderately so that the banks would probably be less eager to reach for the longer maturities. . . . This would no doubt appeal to the larger city institutions, but not to the smaller out-of-town banks. . . .

The latter point out that they have all of the short-terms that they need to meet deposit withdrawals, but they must depend on the longer maturities to meet the expense of time deposits which are building up very rapidly. . . .

They believe that they should be given the same treatment as the mutual savings banks, or at last a direct offering of intermediate maturities, with a higher coupon rate than 1½%. . . . The making available to these institutions of intermediate term bonds would no doubt mean less of a demand for the longer term bank eligible issues.

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Pan American Airways Stock and Warrants Offered By Kuhn, Loeb and Others

A group headed by Kuhn, Loeb & Co., is today announcing offering of 110,642 units of capital stock and stock purchase warrants of Pan American Airways Corp. The offering represents unsubscribed portion of the original total of 2,043,261 warrants offered by the corporation to its stockholders at $21.50 per unit. Associated with Kuhn, Loeb & Co. in the present offering are Blyth & Co., Inc., Lazard Freres & Co., and Ladenburg, Thalmann & Co.

J. Egan Trading Mgr. for First California

LOS ANGELES, CALIF.—The First California Company, Inc., 650 So. Spring St., announces that John F. Egan has been appointed manager of the Trading Department for their Southern California Division. Mr. Egan was formerly with Cruttenden & Co. and prior thereto was with Dean Witter & Co.

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INDEX

Page
Bank and Insurance Stocks........ 414
Business Man's Bookshelf.......... 426
Calendar of New Security Flotations 430
Canadian Securities................ 420
Dealer-Broker Investment Recommendations and Literature........ 407
Municipal News and Notes......... 425
Mutual Funds...................... 418
NSTA Notes....................... 409
Our Reporter's Report............. 415
Our Reporter on Governments..... 412
Public Utility Securities.......... 406
Railroad Securities................ 407
Real Estate Securities............ 403
Securities Salesman's Corner....... 416
Tomorrow's Markets—Walter Whyte Says 406

Ohio Securities Section on page 412.

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The Financial Situation

"The divine right of 51%" was the derisive label employed by some authorities to describe the arguments of the defenders of the 18th Amendment in the days of the "noble experiment." Essentially the same doctrine—that in a "democracy" the majority rules and the minority submits even unto the minutest detail with which the majority cares to concern itself—is in high favor today, but it wears a new label—"unity." It will be recalled that within a very short time, perhaps only a few months, prior to the national election in 1932, the ablest students of the Constitution and of the history of American politics, indeed virtually everyone in the country except Alfred Smith, were quite certain that the country was saddled with the 18th Amendment, if not permanently, then for generations to come. Perhaps there never was in this country a more rapid and complete revulsion of feeling than that which wiped this bit of un-American legislation from the statute books of the land. Certainly there never was one which moved in upon us more completely unheralded.

"Unity"

How soon will this tyranny, which now passes under the name and style of "unity," meet similar and equally deserved fate? This, too, is without doubt "noble in motive" —only the word now is "objective"—but those who now are equally if not more impatient of minorities are also equally out of touch with the realities and certainly as alien in their thinking to all American traditions as were the prohibition leaders of the '20s. If it was urgent in 1932 that we get back to American concepts, it is many times more important and urgent today. Then our aberrations had given rise to the rule of gangsters and had bred a broad contempt of law in the breasts of many normally law-abiding and law-re-

(Continued on page 436)

The Significance of the San Francisco Conference

By CHARLES HODGES*

Professor of International Politics, New York University

Professor Hodges Reviews the Proceedings of the San Francisco Conference, and Although Pronouncing It a Success Maintains That the "Battle of Wordage and Verbiage Hasn't Ended." Holds That Although the Senate Will Ratify the Charter Without Much Opposition the Isolationists Will Continue to Lie Low and Efforts to Sabotage Our Participation in United Nations Activities Will Later Manifest Itself. Urges Prompt Ratification as the Balance Sheet of San Francisco Is Good and Says Though Task of Big Five Collaboration Is Difficult, It Is a Condition of Peace.

The United Nations Conference on International Organization probably has set this generation's record for talk. The San Francisco parley has been a wordy business—practically nine weeks of talk. The Western Union people estimate the volume of press dispatches at 6,000,000 words.

Charles Hodges

Down here in Wall Street, terrorized by units of billions, I am sure that 6,000,000 words sounds quite modest indeed. But it is a lot of effort to read 6,000,000 words—about as inspiring as reading your six favorite volumes of the Encyclopedia Britannica! That doesn't take into account the radio with its day to day—and blow by blow—coverage of the San Francisco sessions. . . . Nor does it take into account the verbatim record of the embattled delegates, both behind closed doors and in open meetings. I

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*An address made by Mr. Hodges before the New York Society of Security Analysts, July 18, 1945. Mr. Hodges is Mutual Network's Foreign Expert and Professor of International Politics at New York University.

(Continued on page 440)

An International Bankruptcy Court Proposed

By ELISHA M. FRIEDMAN*

Consulting Economist, New York City

Mr. Friedman, While Approving of the Aims of the Bretton Woods Agreement, Says the Lack of an International Bankruptcy Court Has Been the Basic Defect for Loans to Foreign Governments, and He Urges That the Bretton Woods Plan Be Amended to Require That Defaults on Loans Be Adjudicated by an International Bankruptcy Court, Which Would Be a Division of the World Court.

The Bretton Woods legislation constitutes the most extensive plans for international cooperation in history. With the aims and purposes, there is universal agreement. The differences revolve about the machinery and the methods. Admittedly, these are not ideal. However, if there is full opportunity for free and frequent amendment, there should be continuous improvement in the machinery and methods as the result of experience.

E. M. Friedman

The lack of a bankruptcy court is a basic defect of all proposals for loans to foreign governments. Such a court would protect future investors. Amazingly enough, of the 44 States or governments represented at Bretton Woods, 18 were in default in 1939 on the loans they borrowed from the United States. This is an absurd situation. Here are defaulting debtors meeting with their creditor to arrange for new loans and not a word was said about curing the old defaults.

The structure of private credit exists and functions only because a defaulting debtor may be hailed to the bankruptcy court. But governments are bound by no such code of honesty. A government defaults not because it cannot pay but because it does not wish to pay. The euphemism of sovereignty is used as a cloak for dishonesty. There is no ethical code or legal principle under which it must make reasonable payment. There is no ultimate force which can compel it to do so. This is international anarchy.

In 1933, Germany unilaterally defaulted on her debt to American bondholders. The funds available to pay interest were used to buy copper and manganese and tungsten and other war materials. The world stood by and did nothing.

In all the Treasury reports, House hearings and public comments on the Bretton Woods proposals, not one word was uttered about giving the creditor on a government loan the elementary rights that every creditor has in all private loans; namely, the right to enforce the collection of his debt in a bankruptcy court. The International Bank and all its proposals are worth very little unless the Permanent Court of International Justice will have jurisdiction over defaulting governments. If international law and international sanctions are applied to defaulting governments, international credit will rise and it will be less necessary to have the International Bank for Reconstruction and Development. When loans to governments become safe, investors will lend. The business of capital is to get to work. Idle capital is a contradiction in terms.

Various remedies for default were sought. Protective committees have tried to be helpful. The Corporation of Foreign Bondholders of London was established in 1868 and subsequently the government was given representation on its board. Similar organizations were established in other countries. They furnish interesting information but secure no action.

The Foreign Bondholders' Protective Council of the United States was organized in 1933 at the request of the Secretaries of State and the Treasury. Its annual report for 1938, of over 1,000 pages, shows that before the war

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*Summary of a brief submitted by Mr. Friedman to the Senate Banking and Currency Committee on the Bretton Woods Agreements.

(Continued on page 439)

GENERAL CONTENTS

Editorial

Page

Financial Situation 433

Regular Features

From Washington Ahead of the News 433

Moody's Bond Prices and Yields... 444

Items About Banks and Trust Cos.. 438

Trading on New York Exchanges... 445

NYSE Odd-Lot Trading.......... 445

State of Trade

General Review.. 434

Commodity Prices, Domestic Index. 445

Weekly Carloadings. 447

Weekly Engineering Construction... 446

Paperboard Industry Statistics...... 447

Weekly Lumber Movement.......... 445

Fertilizer Association Price Index..445

Weekly Coal and Coke Output..... 444

Weekly Steel Review.. 443

Moody's Daily Commodity Index... 444

Weekly Crude Oil Production...... 446

Non-Ferrous Metals Market........ 446

Weekly Electric Output............ 444

Dissolution of Banks and Credit Unions 445

Bank Debits for May.............. 444

From Washington Ahead of the News

By CARLISLE BARGERON

We have been talking with some Senators and others in public life who are perplexed about the future of world trade. What we report is not what your correspondent necessarily thinks. It is the gist of their discussions.

First, there has got to be world trade. If there isn't world trade, or rather if we do not have world trade, then unquestionably we have enough goods and men to work out our own economy, and it could be an economy of abundance. But to do this we would have to have more totalitarianism than even Germany or Russia has had. Our totalitarian government could regulate production, guarantee and order jobs, wages, etc.

Carlisle Bargeron

The alternative to this, my friends agree, is our going more and more into world markets, or as a matter of fact, in a free economy. Our citizens cannot be stopped from selling wherever they can sell. Now, on the question of what goods we can get in return in this world trade, to compensate for the goods we export, nobody with whom your correspondent has talked, has the answer.

But, my friends in public life tell me, that they are being harassed by industrialists who are willing to risk investments in foreign countries with a view to building them up and cashing in just as they did in building up this country, without regard to an exchange of goods. The State Department has some very ambitious plans in this regard. With a view to encouraging industrial development of Latin America, they are working on a plan to bring up promising students who will be placed in our mass production industries for training. These students, serving as apprentices in the Ford plants, for example, can go back and pass on their training to other workers, and in time, Latin American workers will be as relatively skilled as our workers. Then we will have a higher standard of living for our hemisphere; we will all be exchanging goods and everybody will be happy, on this side of the Atlantic. The State Department has gotten the approval of the CIO and AFL for this venture. With

(Continued on page 437)

Nuggets of Wisdom

"While it may not be feasible to make substantial reduction of taxes until the cessation of all hostilities, definite and early provision should be made for the expiration of the excess profits tax at the end of the taxable year in which hostilities cease.

"Early in the transition period there should be reductions of the rates applicable to ordinary incomes of corporations and individuals. . . .

"Inasmuch as employers are by law held accountable for unfair labor practices, similarly employes should be held accountable for such practices.

"Labor organizations should be subject to regulation that will prevent monopolistic practices injurious to the public. . . .

"No form of lawful enterprise should be favored by the government over any other form.

"Lend-lease to the respective theatres of war should cease with the end of the respective wars. . . .

"There should be no further extension of arbitrary governmental authority over the freedom of action of producers, processors, or distributors of basic agricultural products. . . .

"Payment of subsidies for the production and distribution of farm products should be ended as rapidly as possible."—The Chamber of Commerce of the United States.

It is encouraging to know that these eminently sound proposals (so much in contrast to many from other quarters) received overwhelming support from the Chamber's membership.

Tax Relief Measure Sent to White House

Congressional action was completed on July 20 on the corporate tax adjustment bill making approximately $5,500,000,000 cash available to business for reconversion and post-war expansion when the House accepted the bill returned to it by the Senate with one of its provisions deleted, Washington dispatches from the New York "Times" stated.

The measure as approved by the Senate on July 19, according to the Associated Press, was designed to:

"1. Make about $1,540,000,000 available to corporations by permitting the 10% credit on the excess profits tax to be used currently as of 1944 and subsequent years.

"2. Fix January 1, 1946, as maturity date for outstanding post-war tax refund bonds, involving about $1.3 billion.

"3. Make $1 billion available by speeding up refunds from carry-backs of net operating losses and unused excess profits credits.

"4. Hasten refunds from recomputation of deductions made for amortization of emergency facilities, involving about $1 billion."

The Senate-approved legislation had stricken out on a standing vote a House-approved provision which opponents charged would give reorganized railroads an undeserved windfall in allowing them a tax credit on the accumulated interest of the old company.

However, when the bill was returned to it with the deletion the House cooperated, and the measure was sent to the White House in time for three of its five major relief provisions to take effect in refunds and credits, as far as many corporations are concerned, during the current year, either in the payment of the Sept. 15 tax installments or sooner.

With the tempo of cut-backs and war contract cancellations increasing steadily, and the resultant need by industry for cash with which to finance reconversions, speed in enactment of the program was a paramount objective of the Congressional leadership.

The bill awaits President Truman's signature, and it is generally conceded that he will sign. In Associated Press advices July 20 it was stated:

"It will take time, it was pointed out, for the Bureau of Internal Revenue to set up its administrative machinery for the handling of claims for tax deferments and current credits. But, with immediate enactment of the legislation, it was added, the bureau should be in a position to handle these matters by Sept. 15.

"The bill was sent to the White House with this assumption on the part of Congress.

"An outstanding phase of the five-point program, the increasing of the specific excess-profits tax exemption from the present $10,000 to $25,000 thus releasing an estimated 12,000 corporations from this levy entirely and cutting the taxes for about 19,000, will not be effective until Jan. 1 next. Another feature, the advancing of the maturity date of outstanding post-war refund bonds, will take effect also on that date.

"However, officials of the Internal Revenue Bureau emphasized that earlier reconversion assistance would come through the three other features and they gave examples of how and for what types of corporations they would operate.

"It would be possible for corporations anticipating losses or unused credits for 1945, it was pointed out, to defer payment of the Sept. 15 installment of their 1944 tax liabilities. This example was given: the Sept. 15 installment of Corporation X will amount to $100,000. Because of the cancellation of contracts on July 1, the corporation expects an unused credit for 1945 which will result in a refund of $200,000 with respect to prior years' taxes. This corporation would be able to defer the Sept. 15 installment and utilize the $100,000 for purposes of reconversion when it is needed.

"As another example it was indicated that it would be possible for excess-profits taxpayers to reduce the amount of the Sept. 15 installment by taking the post-war credit currently, as permitted by the legislation. Taking the case of another corporation, the tax officials pointed out that this could happen: The corporation reported as excess-profits tax liability of $1,000,000 for 1944 and paid installments of $250,000 each on March 15 and June 15, 1945. Under the new legislation the Sept. 15 installment would be reduced by one-half of its post-war credit of $100,000, leaving it with $50,000 of additional cash immediately available.

"Under another provision of the bill, refunds arising from the recomputation of amortization deductions on emergency facilities certified to be no longer necessary for national defense would become available this year and early in 1946. An example: A corporation owning emergency facilities for which a certificate of non-necessity has been granted filed a claim on June 15, 1945, for recomputation of taxes for 1943 and 1944 which would result in refunds of $50,000. Under the legislation the company could file a claim for quick refund, payment of which must be made within ninety days. The company would thus be able to anticipate the receipt of $50,000 of cash refunds during the autumn."

When the Senate Finance Committee approved the tax relief bill, it was reported in the "Chronicle," July 19, p. 331.

Universal End to Military Conscription Proposed by Martin

As a counter proposal to the almost universal cry for peacetime compulsory military training, Representative Joseph W. Martin, Jr. (R.-Mass.), minority leader of the House, has initiated a resolution that before launching on a plan of enforced training, the United States seek to bring about an international agreement which would abolish throughout the world all compulsory military service.

Mr. Martin's proposal, which the Associated Press reported from Washington July 16, urges President Truman, Secretary of State Byrnes and Edward R. Stettinius, Jr., who will represent the United States on the United Nations peace-furthering organization, "to work unceasingly" for the end of compulsory military training. The press advices added:

"If a mutual understanding can be reached between nations and peoples that the policy of gigantic systems of universal compulsory military service should be eliminated, it would relieve the United States and all other nations of the necessity to assume this great new burden at a time when we must build, reconstruct and readjust the world to peace," Martin said.

The elimination of compulsory military service as a policy of nations, Martin continued, would be the greatest single act of statesmanship that could be accomplished in the immediate present.

"The system which has long been the practice of European nations has never prevented war," the Republican leader said. "It is always viewed with suspicion and fear by other countries, forcing them to adopt the same policy. It becomes an insupportable burden, a constant drain on the people of the world, and a further incentive to war.

"In view of the world's hope of peace and the ultimate destruction of the military power of Germany and Japan, an effort to eliminate compulsory military service as a policy of all peoples cannot come too soon."

A House committee has held extensive hearings during which post-war military training was advocated by virtually all the top military leaders of this war. The committee recommended a broad universal training policy.

Martin's office said his resolution is intended to put the House on record and will not be subject to Senate action.

The State of Trade

The War Production Board was still continuing its efforts to ease the tight steel sheet situation, but so far the relief has been negligible, says the "Iron Age" in its current summary of the steel trade. It is believed, however, states the magazine, that by the fourth quarter, deliveries on nonrated sheet orders will be much easier than at present. Some trade sources say that even if a large volume of cancellations should result from WPBs' move they probably would not reach mill books until some time next week. Cancellations covering all types of steel orders in June surpassed by a wide margin the experience in any other month this year. Despite this volume of cancellations, deliveries are still quite extended.

Validated or rated order volume regained somewhat the sharp losses reported last week and averaged about the same tonnage as in recent weeks. Nonrated requests, however, were still at low ebb.

The reduction in orders for reconversion production is largely due to the heavy backlogs of unrated tonnage already being carried by most mills, with enough of this business on the books to carry the mills for six months after the end of the Controlled Materials Plan. Customers as well as steel producers feel that the future beyond that point is too uncertain to attempt to negotiate additional business.

Order books for bar and semi-finished steel items are fairly well filled through the remainder of this year and into the first quarter of 1946. Tinplate schedules for November have been almost completely filled by canmakers' orders and December is about the earliest delivery date for tinplate.

Cancellations in cold drawn bar tonnages have expanded recently due to realingments in schedules for small shells. The OPA may this week adjust base prices on cold finished bar and shafting. It is understood that the base price will be lowered but that extras will be rearranged so that net change in the price of these items will not be much if any.

A substantial reduction has been made in carryovers for steel bar items by most mills although in one area the undelivered tonnage is still large. Heavy deliveries slated for the last quarter of this year may be expected to wipe out the remainder of the carryovers.

The supply of merchant wire items is still inadequate to meet the heavy demand. Small size nails and bail ties are said to be extremely short. Steel posts and wire products generally were experiencing a heavy demand this past week.

Steel firms report that cancellations of war contracts are having little effect on the manpower situation. One of the most difficult problems in the steel industry is the inability to obtain common labor. The increasing numbers of men appearing at employing offices, as they are laid off at other plants, are not ready to take a reduction in wages but are seeking a job matching their previous one in pay.

The lack of skilled manpower for the production of cold rolled sheets is a major factor in keeping down the output of that item. One steel producer has said that if adequate manpower were available, cold rolled sheet production could be increased as much as 50% with existing facilities.

Progress is being made in the completion of pre-termination agreements between steel producers and military buying agencies. According to indications at Pittsburgh steel producers have, temporarily at least, won their fight to have claims for steel in process on government contracts based on a commercial price setup rather than on the basis of an arbitrary formula.

Interest reached a high pitch in the railroad car field this week when construction of 36.750 freight cars for the French and 6000 cars for India was suspended. It was also reported that all locomotives on an order involving 500 for Russia which if not completed by August 31 are to be canceled. If recent schedules on this locomotive construction are adhered to it might mean that about 280 locomotives will not be delivered. The suspension on the French and Indian orders will probably mean that it will be some time before work is begun on this business.

A slight betterment in the steel ingot rate occurred this week with operations moving up one point to 90.5% of rated capacity. District steel ingot operations this week are as follows: Pittsburgh 88.5%; Chicago 94.5; Youngstown 90.0; Philadelphia 93.0; Cleveland 89.0; Buffalo 98.0; Wheeling 90.0; South 94.0; Detroit 94.0; Western 70.0; Cincinnati 96.0; St. Louis 89.0; Eastern 90.0

The American Iron and Steel Institute announced last Tuesday that the operating rate of steel companies (including 94% of the industry) will be 90.7% of capacity for the week beginning July 23, compared with 89.8% one week ago. This week's operating rate represents an increase of 0.9 points from last week's rate and is equivalent to 1,661,300 net tons of steel ingots and castings, compared to 1,644,800 net tons last week and 1,717,800 tons one year ago.

Railroad Freight Loading—Carloadings of revenue freight for the week ended July 14, 1945, totaled 883,268 cars, the Association of American Railroads announced. This was an increase of 156,864 cars, or 21.6% above the preceding week this year and 20,633 cars, or 2.3% below the corresponding week of 1944. Compared with a similar period of 1943, an increase of 5,933 cars, or 0.7%, is shown.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to approximately 4,295,254,000 kwh. in the week ended July 14, 1945, from 3,978,426,000 kwh. in the preceding week. Output for the week ended July 14, 1945, was 1.9% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 163.300,000 kwh. in the week ended July 15, 1945, comparing with 162,200,000 kwh, for the corresponding week of 1944, or an increase of 0.6%.

Local distribution of electricity amounted to 159,200,000 kwh., compared with 158,000,000 kwh. for the corresponding week of last year, an increase of 0.6%.

Business Failures Decline — Commercial and industrial failures in the week ending July 19 dropped to one-half the number in the preceding week and to about two-fifths the number in the comparable week of 1944. Dun & Bradstreet, Inc. reports 12 concerns failing against 25 last week and 29 in the corresponding week a year ago.

A marked decline occurred in both large and small falures this week but it was somewhat sharper among the sizeable failures. Large concerns failing with liabilities of $5,000 or more dropped from 18 in the preceding week to 8 in the week just ended—last year there were 21. Only one large concern failed this year for every three a year ago whereas one small concern failed this year for every two a year ago.

Eight retailers failed in the week just ended. No other trade or industry group showed more than two failures. But even in

(Continued on page 441)

Truman Urges Single Surplus Administrator

In a message to Congress on July 17, President Truman asked for a major revision of the Surplus Property Act by changing the administrative setup from a three-man board to a single administrator, the Associated Press reported on that date from Washington, adding that William Stuart Symington, St. Louis manufacturer only lately sworn in as Board Chairman, was considered the President's likely choice for the one-man post.

Under Mr. Symington's predecessor, former Senator Guy M. Gillette (D., Iowa), the board was in frequent dispute over certain policy decisions. The situation led to Mr. Gillette's resignation, and before he left he recommended the change to the single administrator plan. In asking Congress to wipe out the board it created last October, Mr. Truman implied his recognition of the disagreements which split the members under Gillette by stating that it was undesirable to "dilute responsibility" for a disposal effort requiring "quick and decisive action," the Associated Press reported, and gave the following as the text of the President's message:

"On Oct. 3, 1944, the Congress enacted the Surplus Property Act of 1944, a comprehensive scheme for the declaration, handling and disposal of all types of surplus property.

"The operations of a three-man Surplus Property Board created by that act have been marked by substantial achievements. It has set in motion the disposal machinery which Congress authorized and it has begun to implement the standards which Congress laid down for the disposal of surplus property. Regulations already promulgated or in the process of adoption cover the most important types of property-consumer goods, plant equipment, industrial plants and farm lands. The emphasis in the board's task will then shift from the promulgation of policy to the effectuation of basic policies already established.

"The task of administration becomes increasingly difficult as the rate of surplus declarations rapidly rises. That rate is rising sharply now. To dispose of this growing volume of surplus property in a manner that will fully achieve the objectives declared by Congress will require the most efficient possible administrative machinery.

"While the present Surplus Property Act was under consideration by the Congress the then director of War Mobilization and Reconversion, Mr. Byrnes, recommended the provision for a single administrator. I think experience has proved him right.

"In a field which calls for quick and decisive action, it is undesirable to dilute responsibility for the disposal of surplus property. Administration by a multi-member board has complicated day to day operations under the act.

"More recently the retiring Chairman of the Board has stated to the Congress that although he originally shared the view that a three-man board was appropriate, his experience also led him to the belief that the act can best be administered by a single administrator.

"I am convinced that the effective performance of the vast administrative tasks remaining for the disposal of the surplus property imperatively requires that authority to make decisions and responsibility for those decisions should be centralized in a single official. Such an official should operate, as do all other executive agencies, under the general authority conferred by the President and the Congress on the Office of War Mobilization and Reconversion. Accordingly, I request the Congress to amend the Surplus Property Act of 1944 by substituting a single administrator for the present Surplus Property Board."

In an informal report to Mr. Truman before his departure, Senator Gillette recommended the single administrator form of organization. He also advocated the removal of SPB from the control of the Office of War Mobilization and reconversion, holding that the agency lacked freedom of action and should be responsible only to Congress. A bill proposing such a separation has been introduced by Senator Stewart (D., Tenn.).

The conclusion that President Truman would prefer Mr. Symington as sole administrator was based on the fact that he is the only board member named by Mr. Truman, Lieut. Col. Edward Heller, of California, and former Gov. Robert A. Hurley, of Connecticut, the other members, having been appointed by the late President Roosevelt. In addition, SPB had a long record of conflict between the former Chairman, Senator Gillette, on the one hand, and Messrs. Hurley and Heller on the other.

Said the Associated Press:

"The board has frequently been a target of criticism in Congress, mainly on grounds that it was too slow in setting its machinery in motion.

"Surplus goods are selling at the rate of $50,000,000 monthly, with the Government recovering something less than 35% of its costs. However, the inventories of surpluses on hand are mounting steadily, and returns to the taxpayer are expected to drop the longer goods are held.

"House leaders said that the President's recommendations would not be acted upon until after that Chamber returns from a summer recess, probably early in October.

"If the single Administrator issue is not resolved until Congress reconvenes, Senate sources point out that a situation may develop in which the SPB would be powerless to act. This would occur if board members Robert Hurley and Edward Heller were to resign before a single official, presumably Stuart Symington, could be empowered as Administrator."

After his installation as Surplus Property Board Chairman, Mr. Symington gave a news conference, in which the New York "Times," in its Washington dispatch of July 18, reported him as having said that his approach to the job would be to "handle it from the standpoint of maximum employment;" also that he attached great importance to strong local, independent businesses. He asserted, according to the "Times," that the wealth expressed in a machine tool or a plant is valuable only for the merchandise that can be produced in or off them. "Everything," he said, "ought to be sold on the basis of maximum employment, provided it does not interfere with the directives in the act of Congress."

Asked whether he would take less money for surplus property in order to create employment, the New York "Times" continued, Mr. Symington said, "Yes, personally I would." The advices added:

"In discussing local business, in response to questions, Mr. Symington said it was his thought that Pacific Coast people ought to own and operate their own steel mills. Asked whether he would favor Henry Kaiser over United States Steel in the disposal of Western steel plants, Mr. Symington said 'it would depend on who was back of Mr. Kaiser. If Mr. Kaiser was backed by local interests I would favor him. It is not the personality that counts, but whose money is behind him.

"'It is my absolute conviction, after 20 some years in business, that if we don't promote local, independent business, we are going to end up with a few great companies, and that would be very unfortunate for the economy.'

"Mr. Symington would not comment on President Truman's proposal to have a single surplus property administrator instead of the present three-man board. He said he had not expressed an opinion on the subject to the President or to anyone else. He said he would be better qualified to express an opinion if he had a few months' experience as chairman.

"Asked whether he believed surplus property would amount to a hundred billion dollars, as some have estimated, Mr. Symington said he did not know much about it but his personal opinion was that the figure was 'a lot too high.'"

Entente Reported Between Russia, China

A joint communique from Moscow, July 14, stated that Russia and China have reached a broad mutual understanding on important questions which involve relations between the two countries, the Associated Press reports; the advices added:

"T. V. Soong, Premier of China, left for Chungking after two weeks here, and Generalissimo Stalin prepared to leave for Potsdam to confer with President Truman and Prime Minister Churchill. The Russo-Chinese conversations will be resumed in the near future, the communique said.

"This is the text of the communique issued: "The negotiations had as their aim improvement of Soviet-Chinese relations in which connection the most important questions interesting both sides were touched upon. The talks took place in a friendly atmosphere and revealed broad mutual understanding.

"The negotiations were interrupted because of the departure of J. V. Stalin and V. M. Molotov for the meeting of the Three-Power leaders. T. V. Soong departed for Chungking for some time. The negotiations are to be resumed in the nearest future."

Returning Veterans Prefer Resuming Usual Occupations

Returning veterans of World War II are more interested in reestablishing their homes and resuming their ordinary occupations in civil life than in starting new businesses, according to The National City Bank of New York, which on July 23 released an analysis of the first 1,000 loans made by its Personal Credit Department to former servicemen. The purposes of these loans are as follows:

Medical and dental 46%; Furniture and household 21.2%; Clothing 9.2%; Insurance and taxes 8.5%; Business 6.3%; Education 2%; Miscellaneous 7.8%.

The loans made for business purposes include partially-insured loans made under the so-called "G.I. Bill of Rights," according to the Bank, although numerous business loans as well as all non-business loans did not fall within the regulations of the Veterans' Administration and were based solely on the credit of the veteran.

"Relatively few veterans care to go into business for themselves, compared with the number who preferred to be employed by someone else," said Roger Steffan, vice president of the Bank. "Veterans are surprisingly well informed about the high percentage of casualties among small businesses and about the competitive and regulatory problems which confront any enterprise. One veteran referred to figures he had seen showing that between 1900 and 1939 some 16 million business enterprises started and 14 million closed up."

Senate Committee Calls for Immediate Shipment to Pacific of Unused Lend-Lease Arms

A report issued by the Senate War Investigating Committee on July 6 stated that nothing had been done to untangle the mass of war surplus problems in Europe and recover for our own use in the Pacific lend-lease arms originally sent to our Allies for the European war which ended before they had been consumed, according to an Associated Press dispatch from Washington. The basis of the Committee's complaints was a report by a subcommittee headed by Senator Harley M. Kilgore (D.-W. Va.), which made an overseas investigation and has recently returned.

Contending that the situation was extremely urgent and that it was increasing war costs and delaying reconversion by causing "manufacture of items identical with those now idle in the hands of our Allies," the report went on to say:

"The committee believes that all sources of supply for the Pacific war should be exploited to the maximum, and that existing stocks of armaments and supplies should be drawn upon first where possible, and certainly they should include captured enemy material."

Noting that legal title to lend-lease materials rests with the United States and that master lend-lease agreements specifically provide for their return, the committee said that failure to act constitutes "a lack of vigor and attention to our interests."

Specifying seven counts in its criticism of United States foreign representation, the committee's report stated generally (we quote from the Associated Press):

"The difficulties recited . . . result from the failure of our government agencies abroad to obtain all the considerations we should have received in return for the huge contributions we have made in this war. Lack of a clearly established foreign policy over a very long period of years is a major contributing cause."

The seven specific counts:

1. Disposition of surpluses abroad in a manner not likely to bring the highest return or fill the greatest need. Coordination under a single agency recommended.

2. "American rights to fixed installations which we have erected abroad have not been clearly defined. It is essential that immediate and careful study be given to . . . future disposition."

3. Large quantities of captured goods and munitions not yet inventoried, with no plan for its disposal nor coordination with the Allies, particularly on the possibility of turning it to account against Japan.

4. "As a result of the impending evacuation of our troops in France and their occupation of Germany, the Army has shown a disposition to have no further interest in the French economy, while it finds it necessary to strengthen the German transportation and industrial system in order to assure itself of proper supply in Germany. While this is a natural attitude on the part of the armed forces, it must be counteracted if we are to avoid a situation where our enemies fare better at our hands than our friends."

5. "The division of Germany into four zones of occupation has resulted up to this time in vesting the control of what has been a highly integrated nation into four wholly uncoordinated elements."

6. Lack of itemized invoices for reverse Lend-Lease services and goods, preventing reliable accounting.

7. Artificially fixed foreign exchange rates which the committee said have imposed a financial burden on American service men and also created problems in settlement of Lend-Lease accounts and disposal of surpluses; also great amounts of Axis currency and profits in the hands of collaborators who serve the enemy, with impounding made more difficult by delay.

On the point of foreign installations, the committee said disposition of 370 air bases and other facilities in Europe may hold the answer to "our future security and the prosperity of our international commerce."

Mentioning the possibility of Army and Navy need for European theater bases, the committee said: "And now while we are still in a good bargaining position, negotiations could be engaged in with the countries involved for the rights to maintain them. Our international air commerce will find many of the airfields built for war-air transport indispensable to any network of international air routes."

The committee called for recasting of the military procurement system under which it said armies short of artillery ammunition to fight the Germans received aerial bombs of types they did not want.

The shell shortage, the report said, was not the result of failure in factories, but of failure to order in time.

F. M. Vinson Becomes Secretary of Treasury

Apparently reconsidering his professed intention of remaining, at the President's request, in the office of Secretary of the Treasury until Mr. Truman returned from Europe, Henry Morgenthau, Jr., wirelessed another communication to the President, who was then on the high seas, requesting that his successor be appointed without delay so that his resignation might at once become final.

Accordingly Mr. Truman sent to the Senate on July 16 the formal nomination of Fred M. Vinson, already selected to succeed Mr. Morgenthau in the Treasury post, the Associated Press reported from Washington, and the following day Mr. Vinson was confirmed unanimously by voice vote which came soon after the Finance Committee had approved the appointment without hearings.

Also approved by the Senate on July 18 was the nomination of John W. Snyder to succeed Vinson as Director of War Mobilization and Reconversion, following his confirmation by the Senate Committee. The Associated Press also reported:

"According to present plans, no successor to Mr. Snyder as Federal Loan Administrator will be appointed at least until Mr. Truman returns from Europe.

"Mr. Snyder, a banker of 48, from Arkansas and Missouri, emerged today as one of the most important figures in the Government. As mobilization chief he will direct the home front in the war effort.

"He is expected to keep a finger in the Reconstruction Finance Corporation for the present. As Loan Administrator he has been in charge of it. Under his leadership the RFC was streamlined for its role in reconversion, with subsidiary corporations merged into the parent body. His new position gives him such sweeping authority that he can decide RFC policy.

"Actual operation of the RFC will be handled by its board of directors, headed by Charles B. Henderson.

"When President Truman returns he is expected to confer with Mr. Snyder and determine the RFC's future."

The Financial Situation

(Continued from first page)

specting men and women of the country. Today much of these same evils threaten again, but a great deal more than that is now involved. The whole structure of our society, the entire economic mechanism and, we fear, a great deal of our accumulated wealth, is at stake.

This essential principle of running rough shod over minorities, when they can not be beguiled or bludgeoned into joining the majorities, has permeated much more of our economic and social life than many of us realize. It is conspicuously in evidence at the moment in the pressures exerted in support of various programs having to do with international relations, and associated domestic policies, but it is no less present at many other points, as one may easily discover by any reasonable examination of the facts. It runs through virtually all of our so-called social security legislation which obliges large numbers of persons to make "contributions," and in other ways to take part in broad measures which may or may not have majority support in reality, but which certainly do not have universal support. It is a salient characteristic of all, or virtually all legislation which has to do with labor during the past decade or more. In an effort to procure the "benefits" of "collective bargaining" for the majority, if it is the majority, the legislators and administrative officials have never hesitated to deny the right of individual bargaining to many others who prefer it.

Conformity Demanded

These are but a few of the more obvious manifestations of this type of thinking. Case after case of essentially the same type of action is to found in the administrative rulings of the innumerable agencies of government in Washington. There is no need to enumerate them. Indeed a mere listing of them would require much more space than is here available. Most business men, and a great many ordinary citizens, have become personally acquainted with the "pressures" which can be and often are brought upon individuals to conform to "policy" which has the vaguest if any legal basis, and thus do their share toward presenting a "united front." This practice has, of course, run riot since we have been engaged in war, but it long antedates our participation in this global conflict—indeed it antedates the outbreak of fighting in 1939.

In those earlier years we were required to stand together against a "common enemy." i.e. "depression," "injustice," and a dozen other conjured up ghosts of one sort or another. In the years preceding 1939, we were often told how Germany by the attainment of "unity" had banished unemployment — and of course Russia was constantly thrown up in our faces by substantial elements in the population not without standing in Washington. The phenomenon is definitely not of war origin, or at least it did not originate in this war. In the earlier days it was perhaps called "cooperation" more often than "unity"—it may now be called "unity" more often than "cooperation"—but as to the substance of it all there can be no doubt in any reasonable man's mind.

Time for Plain Speaking

We are, of course, well aware of the hazard of calling the "necessity," not to say even the value, of this kind of "unity" into question at the present time. We have repeatedly observed, as every other observant citizen has, how quickly the propaganda machine can get into operation to discredit, if not to blacken, the name of any of the minority who has the temerity to speak out his mind plainly, and how successful that machinery usually is—at least for a time. It nonetheless seems to us to be our duty to call the attention of the American public to what seems to us to be a situation fraught with hazard for the future of the country, and to do what little lies within our power to lead the American people to cast aside the slogans and the natural emotions of the times (on which there are many who do not scruple to impose) and to bring such matters as these into the calm light of cold reason.

The fact of the matter is, of course, that "democracy" as limited or exemplified by these concepts of "cooperation" or "unity" is the very negation of what our forefathers thought of as "liberty" or "democracy." That any one could define the word in this way is evidence enough of the influence of communistic or fascist thinking, not merely during the war years but for a decade or two prior to that time. No people is free whose minorities are forever slaves to the majority. It would not be free even though bona fide elections were held each year to determine the indentity of the majorities or even the programs of action if these programs themselves unduly interfered with the day-to-day affairs of the individual. It is of the essence of real liberty and true "democracy" as Americans have understood it for a century or two that the individuals be without unnecessary restraints from any one. Democracy and unnecessary restraints upon the individual are at opposite poles no matter who is the author of the restrictions. We have so often spoken of Russia as a democracy and as a "freedom loving" nation that we appear almost altogether to have forgotten what such words mean.

It is essential that we wake from our dreams.

Move to Tax Aliens Deriving Income From Sale of Securities, Etc., Within U. S.

The Internal Revenue office at Washington, through John D. Nunan, Jr., incident to the Treasury Department's move to tax aliens whose income is derived from sources within this country, issued the following notice to Collectors of Internal Revenue:

1. The Bureau has under consideration the question of the taxation of capital gains, profits, and other income derived from sources within the United States by aliens who have left their country of origin, especially in Europe, on account of war conditions and who during their stay in the United States have accumulated considerable income as the result of transactions in the stock market and on the commodity exchanges. Attention is invited to the fact that aliens for Federal income tax purposes fall within the following general classes: (1) nonresident aliens not engaged in trade or business within the United States who are taxed only on fixed or determinable annual or periodical income; (2) nonresident aliens not engaged in trade or business within the United States whose fixed or determinable annual or periodical income exceeds $15,400; (3) nonresident aliens engaged in trade or business within the United States; (4) resident aliens.

2. Very little difficulty is encountered in connection with the collection of income tax with respect to the first class. Such aliens are taxable under section 211(a) of the Internal Revenue Code at the rate of 30%, and the entire amount of tax is, in general, required to be withheld at the source under section 143(b) of the Internal Revenue Code. With respect to the second class, although a tax at the rate of 30% is required to be withheld at the source from their fixed or determinable annual or periodical income, they are also subject to surtax and returns are required to be filed by the individuals in such cases on Form 1040NB(a), accounting for the balance of the tax. With respect to those individuals engaged in trade or business within the United States, such aliens are subject to tax on their entire income from sources within the United States, including capital gains. However, as provided in section 211(b) of the Internal Revenue Code, the phrase "engaged in trade or business within the United States" does not include the effecting, through a resident broker, commission agent, or custodian, of transactions in the United States in commodities, or in stocks or securities. It follows that a *nonresident alien*, not otherwise engaged in trade or business in the United States, would not be subject to tax on capital gains *merely* by reason of such transactions in commodities, or stocks, or securities. Special attention should, however, be given to the cases of aliens who derive profits from these transactions and who claim to be nonresident aliens not engaged in trade or business within the United States. In this connection it should be pointed out that the term "engaged in trade or business within the United States" includes the performance of personal service within the United States at any time within the taxable year as specifically provided by section 211(b) of the Code. It follows, therefore, that if any of the aliens of this class perform personal services in the United States at any time during the taxable year they would be subject to tax on their entire income derived from sources within the United States, including capital gains. However, certain other activities, such as the buying and selling of personal or real property, on the alien's own behalf or on behalf of others, would ordinarily constitute engaging in trade or business. In the investigation of the tax liability of any nonresident alien claiming not to be engaged in trade or business within the United States particular attention should therefore be given to such activities of the alien.

3. The most important class of aliens with whom the Bureau is concerned are those who, having realized profits on securities transactions or otherwise, claim to be nonresidents of the United States and have thus failed to file proper income tax returns even though they are in fact *residents* of the United States. In connection with the general question as to what constitutes residence in the United States it should be borne in mind that residence is a mixed question of law and fact and the element of intention is one of primary importance. The Federal income tax laws have been uniform in levying a tax on the entire income of aliens, if resident in the United States, and residence has been construed by the Bureau in all rulings as something which may be less than domicile. (*Bowring v. Bowers*, 24 F. (2) 918.) In other words, residence, although used as the equivalent of domicile in connection with probate matters, succession taxes, and inheritance taxes, as well as the estate tax law, is not necessarily the same as domicile for Federal income tax purposes. It is stated in section 29.211-2 of Regulations 111 that an alien actually present in the United States who is not a mere transient or sojourner is a resident of the United States for the purposes of the income tax. It is also stated in that section that if he lives in the United States and has no definite intention as to his stay, he is a resident. Furthermore, one who comes to the United States for a definite purpose which in its nature may be promptly accomplished is a transient; but if his purpose is of such a nature that an extended stay may be necessary for its accomplishment, and to that end the alien makes his home temporarily in the United States, he becomes a resident, though it may be his intention at all times to return to his domicile abroad when the purpose for which he came has been consummated or abandoned. These provisions of the regulations, it is thought, will cover many cases of aliens who, by reasons of conditions stemming from the war, have come to the United States.

4. Attention is invited to the last sentence of section 29.211-2, Regulations 111, which states that an alien whose stay in the United States is limited to a definite period by immigration laws is not a resident of the United States within the meaning of that section, *in the absence of exceptional circumstances*. The general rule adopted by the Bureau is that the type of visa issued is only one of elements entering into the classification of the alien as a resident or nonresident. It is believed that there are many cases now which will come under the phrase "in the absence of exceptional circumstances" because of the fact that many visitors' permits, or temporary visas, were issued to aliens who desired merely to get out of the war-torn country under any conditions and under any passport or visa so long as they reached the shores of the United States. For example, while the vast majority of such aliens originally entered the United States on temporary permits, numerous extensions of such permits have been applied for and granted and a great number of applications have been made by such aliens to enter a third country in order to qualify for re-entry to the United States on immigrants' visas, thus indicating an intention to become residents of the United States even though such immigrants' visas may not have been granted. On the other hand, the possession of an immigrant's visa by an alien, upon his initial entrance into the United States, is not conclusive of his classification as a resident of this country. Those aliens, therefore, who are properly classified as residents within the meaning of the regulations referred to above and under the general rules of law relating to what constitutes residence, should in every case be required to file returns on Form 1,040 accounting for income from all sources, both within and without the United States, including capital gains. Furthermore, all nonresident aliens who are physically present in the United States and who have been engaged in trade or business within this country at any time during the taxable year should file complete returns on Form 1040B, accounting for their entire income from sources within this country, including capital gains.

5. In view of what has been said above, the field officers of the Bureau are requested to take prompt action and set up the necessary procedure for the purpose of investigating those cases where it is evident that the aliens have made gains from dealings in stocks, securities, commodities and similar transactions, to the end that aliens engaged in trade or business within the United States, and those who are resident aliens, may be properly taxed on such capital gains and that only nonresident aliens not engaged in trade or business within the United States shall be relieved of taxation in this respect, as provided by sections 211(a) and 211(c) of the Internal Revenue Code.

6. In connection with the examination of aliens, information should be obtained regarding (a) date of arrival in the United States; (b) whether members of the alien's family accompanied him; (c) type of visa or permit issued to him; (d) reasons for coming to the United States; (e) whether the alien registered under the Selective Service Act; (f) what funds, securities, or other personal property were brought into the United States by the alien or transferred to his account, or held for his benefit directly or indirectly through nominees or otherwise, prior to or after his arrival; (g) whether he performed personal services or engaged in any other business activities within the United States; (h) complete disclosure as to capital gains from dealings in securities or commodities; (i) whether he owns any real estate in the United States in his own name or in the name of a nominee; (j) if the alien entered the United States on a temporary permit, how many times has it been renewed; and (k) has the alien applied for or been granted an immigration visa or otherwise declared his desire or intention to reside in the United States.

7. I.T. 3386 (C.B. 1940-1, 66) holding that a subject of a foreign country who entered the United States on a temporary visa which had been renewed from time to time during continuance of the war has the status of a nonresident alien is modified to accord with the foregoing principles.

JOSEPH D. NUNAN, Jr.,
Commissioner.

Approve War Housing Law Changes To Provide for Veterans Families

The amendment to war housing legislation recently signed by the President will make it possible to take care of some cases of distress among families of returning veterans and families of men still in the armed services, and promises additional relief as needs of war workers are met in the future, National Housing Administrator John B. Blandford, Jr., explained on June 29.

"The Lanham amendment," he stated, "applies only to Federally-owned war housing, which is limited in quantity in comparison to the over-all housing supply. While the greater portion of our Federally-owned war housing must continue to serve workers in strategic war industries—and family accommodations are now 92% occupied—distressed families of veterans and servicemen now will have the same eligibility as civilian war workers to occupy such housing as is vacant and that which becomes vacant, except for projects exclusively reserved for urgent war production needs. Obviously, the purpose of the legislation is to help meet the needs of distressed families of veterans and servicemen and the efforts of the National Housing Agency will be directed toward that goal. First attention must be paid to the most serious cases."

The FHA advices state:

"Temporary instructions on carrying out the provisions of the new amendment (Public Act 87, known as Title V of the Lanham Act) already have been issued by Commissioner Philip M. Klutznick of the Federal Public Housing Authority to all managers of housing affected by the act. More detailed procedures will follow. Commissioner Klutznick explained that the new policies apply to all Federally-owned housing under the NHA built with war housing appropriations, "except those cases where housing projects or parts of projects are programmed and designated exslusively for war workers of a specific industry or installation or employees or military personnel of the Army and Navy.

"Families of servicemen and veterans heretofore have been eligible only after the housing needs for in-migrant civilian war workers have been met. Hereafter in cases of distress such families will be equally eligible with in-migrant war workers.

"The instructions define a distressed family of a serviceman or veteran as "any such family without housing, either by reason of eviction or inability to find in the area housing within its financial means. This includes the returning veteran who because of housing shortage is unable to find a dwelling in which he can re-establish his family. Families of servicemen and veterans include families of deceased servicemen and veterans."

"We're particularly concerned with the families who have suffered from evictions and who cannot pay prices necessary to obtain private rental housing," said Mr. Blandford. "Families unable to pay the established rents in the projects may obtain adjustments within prescribed limitations in line with their income to prevent hardship, as provided in the Lanham Act."

Specifically, says the FHA, the Lanham amendment authorizes the NHA to:

"1. Cooperate with communities in making available all possible accommodations in the community housing supply to veterans' and servicemen's families in 'distress.'

"2. Make available Federally-owned war housing to such families.

"3. Move vacant temporary war housing to places where it is needed for such families, and erect new temporary Federally-owned housing if necessary, if and when funds for such purpose are made available. No funds are currently available for such purposes."

Mr. Blandford pointed out that veterans' and servicemen's families already are eligible for privately financed war housing in the many communities where it has been possible to relax occupancy restrictions. This type of housing will be made available in other areas as soon as war worker needs have been met, he said. Discretion in this matter has been placed with the Regional Representatives of the Administrator, who will resurvey the situation periodically with communities, war industry management and labor, and the War Manpower Commission."

Reduction Planned in Food Subsidies

A plan which would result in increased costs to food consumers next year of approximately $1,500,000,000 by increasing prices of foods to replace subsidies is being worked out by Administration leaders, according to Associated Press reports from Washington, July 14, which added that the objective was to ease adjustment of farm prices to post-war conditions and to reduce Government expenditures. From the Associated Press we quote:

The subsidies involved are largely those which the Government established to prevent increases in consumer ceiling prices on important food items while at the same time providing greater incentive for farm production, and the so-called "roll-back" subsidies set up in 1943 when prices of some foods were reduced 10%.

Secretary Anderson is leading inter-agency discussions on the plan. Friends say he believes it could be accomplished by an upward adjustment in industrial wages, now controlled under the "Little Steel" formula, without adding any new inflationary threat.

The contention that increases in wages and prices would not be inflationary is based upon the assumption that the war with Japan will end next year and bring on deflationary factors incident to industrial reconversion.

Elimination of the subsidies would increase the country's total food bill about 5%, Agriculture Department economists estimate. Consumers are buying food at the rate of about $30,000,000,000 a year.

Food items on which the Government is paying subsidies include meats, butter, fluid milk, and most manufactured dairy products, flour and, indirectly, bread and bakery products, canned fruits and vegetables, sugar, dry beans, peanut butter, lard and soy-bean products.

Supporting the subsidy abandonment idea are several major farm organizations and a strong bloc in Congress.

Back of the pressure to wipe out the subsidies is concern over post-war agricultural prices. Mr. Anderson and many farmers expect farm prices to go down after the abnormal war market fades. They also expect a public demand for curtailment in Government expenditures.

Mr. Anderson believes the effects on agriculture will be less harmful if the subsidies are removed while prices are high and the demand is good rather than later when prices have declined.

Under the subsidy program, the actual prices (or returns) received by farmers are hidden, so to speak, from the consumer. The consumer pays only part of the price on the subsidized items. The Government pays the rest.

National Policy for Research, Education Proposed by Dr. Bush

Establishment of a National Research Foundation by Congress for the purpose of promoting a national policy for scientific research and scientific education is proposed by Dr. Vannevar Bush, director of the Office of Scientific Research and Development, in a report that he submitted on July 18 to the White House. The report is titled "Science — The Endless Frontier".

The report, prepared at the request last November of President Roosevelt, recommended:

"(1) That the Foundation be formed to develop scientific research, financially support basic research in non-profit organizations, encourage scientific talent in American youth by offering scholarships and fellowships and promote long-range research on military matters.

"(2) That the Foundation consist of nine members to be selected by the President and be responsible to him. They shall serve four years and without compensation.

"(3) That the Foundation have the following five divisions: Medical Research, Natural Sciences, National Defense, Scientific Personnel and Education, and Publications and Scientific Collaboration."

Dr. Bush said that an adequate program for Federal financial support of basic research and scientific education, as proposed in his report, would cost about $33,000,000 at the outset and might rise gradually thereafter.

Dr. Bush, in urging immediate legislative action to create the National Research Foundation, said: "Early action on these recommendations is imperative if this nation is to meet the challenge of science in the crucial years ahead. On the wisdom with which we bring science to bear in the war against disease, in the creation of new industries and in the strengthening of our armed forces depends, in a large measure, our future as a nation."

In part the advices in the matter state:

"The report recommended a program to provide 24,000 undergraduate scholarships and 900 graduate fellowships, which would cost the Government about $30,000,000 annually when in full operation. Each year under this program 6,000 undergraduate scholarships would be made available to high school graduates, and 300 fellowships would be extended to college graduates. Those who receive such scholarships and fellowships would constitute a National Science Reserve and would be subject to call into Government service in connection with scientific or technical work in time of war or other national emergency."

Dr. Bush stressed the necessity of having the Government provide suitable incentives to private industry in conducting research, and urged modification of ceratin provisions of both the Internal Revenue Code and the patent system. On this point, he said:

"The Government should help industry in its research projects by clarifying present uncertainties in the Internal Revenue Code in regard to the deductibility of research and development expenditures as current charges against net income, and by strengthening the patent system so as to prevent abuses which reflect discredit upon a basically sound system. In addition, ways should be found to cause the benefits of basic research to reach industries which do not now utilize new scientific knowledge."

The war against disease in the United States was also discussed in the report. Dr. Bush said that to maintain the progress in medicine that has marked the last 25 years, the Government should extend financial support to basic medical research in the medical schools and in universities.

Concerning the importance of military research in peacetime, Dr. Bush had this to say:

"There must be more — and more adequate—military research in peacetime. It is essential that the civilian scientists continue in peacetime some portion of those contributions to national security which they made so effectively during the war. This can best be done through a civilian-controlled organization with close liaison with the Army and Navy, but with funds direct from Congress, and the clear power to initiate military research which will supplement and strengthen that carried on directly under the control of the Army and Navy."

The OSRD director discussed the relationship between scientific advancement and employment. On this point, he said:

"One of our hopes is that after the war there will be full employment. To reach that goal the full creative and productive energies of the American people must be released. To create more jobs we must make new and better and cheaper products. We want plenty of new, vigorous enterprises. But new products and processes are not born full-grown. They are founded on new principles and new conceptions, which in turn result from basic scientific research. Basic scientific research is scientific capital. Moreover, we cannot any longer depend upon Europe as a major source of this scientific capital. Clearly, more and better research is one essential to our achievement of our goal of full employment. There must be a stream of new scientific knowledge to turn the wheels of private and public enterprise."

Dr. Bush prepared his recommendations on the basis of reports made to him by four committees: Medical Advisory Committee, Dr. W. W. Palmer, chairman, Bard Professor of Medicine, Columbia University, New York City, and director of medical service of the Presbyterian Hospital, New York; Science and Public Welfare Committee, Dr. Isaiah Bowman, Chairman, President of Johns Hopkins University, Baltimore; Committee on Discovery and Development of Scientific Talent, Dr. Henry Allen Moe, Chairman, secretary general of the John Simon Guggenheim Memorial Foundation, New York City; and Committee on Publication of Scientific Information, Dr. Irvin Stewart, Chairman, Executive Secretary of the Office of Scientific Research and Development.

Taft Favors Cut in Tax on 1947 Business

Senator Robert A. Taft (R.-Ohio), told reporters that he thought Congress ought to prepare legislation now reducing taxes effective in 1947, and thus let business men know what to expect in a period which he believes will see the first real surge of the civilian economy after reconversion to peacetime manufacture. "I don't think it makes so much difference whether tax reductions are made in 1946," the Associated Press, Washington, reported the Ohio Senator as having said on July 16, and he added "most businesses then will be engaged in getting back to civilian production and they won't be making much money anyway." He further said:

"But 1947 should see production in full swing again and business men, especially small-plant owners and those who plan to build new facilities, ought to know in advance what sort of taxes they are going to have to pay."

Senator Taft said he had no specific revenue proposals in mind, but that he believes the subject should have immediate study.

From Washington Ahead Of The News

(Continued from first page)

such a set-up it is assumed American venture capital would go down there.

It is around such handling of the post-war world as this, that our friends have been besieged by potential venture capitalists as to whether they thought the San Francisco conference would really bring about stability in the world. Naturally our men of finance don't want to go off and invest in Yugoslavia if that country and Greece, or that country and Italy are likely soon to be in a war. They have before them the experience of the General Motors and Ford plants in Germany which the Russians are moving bodily to Russia. Similarly, on this continent, if there are to continue to be revolutions and disorders in Latin-American countries, their investment risks are multiplied. Everybody seems burned over our experiences of the twenties, when American venture capitalists were browbeating and bribing Latin-American dictators to borrow money, out of which no good ever came.

This investment in foreign countries in order that they can buy from us, seems to be the foreign trade which is contemplated, and everybody agrees that foreign trade is necessary if we are to escape that totalitarian state.

But on the score of the stability of the world, our friends and they include men who have been very close to the San Francisco conference, can offer nothing tangible. Theirs is a hope.

Put it up to one of them, for example, as to whether Yugoslavia should act up against Greence—and we don't mean to pick on these two countries—whether the pact which has been arrived at, could prevent war. The consensus is that it could not unless Britain and Russia were determined that it should. These two countries would be vitally interested in a fracas between Yugoslavia and Greece and Russia, to date, certainly shows that she is not within the spirit of the pact.

There is another thing quite important to our would-be investors in Europe. Any stability in Europe is likely to be a Communist dominated stability. Does that offer a fertile field of American investment? In Poland, in the other countries in which the Communists are moving to power, the property holdings are being divided up; destroyed or divided up just as they were in Russia.

Take Britain. The recent elections may show that it is moving sharply to the left. Australia is in for a long Leftist run. On our own continent, the pro-Communist labor leader Toledano, in Mexico, is moving back towards control of the government.

To sum up, the men with whom we have been talking, and they are men in a position to know, contemplate our own domestic post-war possibilities; that is, the opportunities for money making and employment here at home, with optimism. They do not view the foreign, or the world trade outlook in any such fashion. They are decidedly pessimistic about it, indeed.

There is likely to be an awful lot of disillusionment about the San Francisco pact before many moons. The fact that it is sailing through so smoothly is not evidence of its effectiveness. It is really more of a case of lack of interest in it. Herculean efforts have been made to dramatize it. They have obviously failed. The American people, according to the polls, are for it 9 to 1. That is because they are for anything purporting to insure peace.

Ask Truman to Sway Free Vote in Poland

A group of prominent American citizens put their signatures to a plea to President Truman to use the diplomatic and economic power of the United States in support of a five-point program to carry out the Yalta agreement of "free, unfettered elections" in Poland, according to an account appearing in the New York "Times" on July 19, which continued:

"Former President Herbert Hoover, Alfred M. Landon, former Governor of Kansas; John Dewey, Raymond Leslie Buell, former Chairman of the Foreign Policy Association; the Rev. Robert I. Gannon, President of Fordham University; the Rev. John La Farge, editor of "America"; Suzanne LaFollette, author and editor; John Chamberlain and Benjamin Stolberg, writers, and George Creel were among the signers.

"Warning that 'a policy of one-sided appeasement of totalitarianism can lead only to disillusionment, frustration and grave peril to the American people,' the memorial said the Polish question had not yet been settled.

"It charged that the new Polish Government consisted of 17 holdovers of the Lublin regime and only three from the London group, none of whom was 'a member of the Polish Government which was our ally throughout the war.'

" 'By no stretch of the imagination can this be called an honest fulfillment even of the Yalta agreement, an agreement which was itself described by President Roosevelt as in some respects a disappointing compromise on the Polish question,' the memorial said.

" 'If Russia succeeds in imposing her will to this extent, despite the Yalta agreement, she will be encouraged to apply the same imperialistic methods to all central Europe and the Far East, with ultimate disaster to us all.'

"The memorial said its signers were 'opposed to war with Russia,' and that they had profound respect for the Russian people and for the military achievements of its army.

" 'Though Russia is a totalitarian State, there will be no war, provided the leading democracies of the world are firm, united and just, in deeds as well as in words,' the memorial continued. 'But if they continue a foreign policy of weakness, hesitation and immoral compromise, despite our overwhelming power and prestige, then we fear for the future peace of the world and for democracy at home.'

"The memorial charged that the 16 Polish leaders arrested by the Russians had been induced to make themselves known to the Red Army by a guarantee of safe conduct from the Soviet High Command. It compared their trial with the 'purge' trials of 1937 and 1938."

OWI Foreign Bureau To Be Discontinued

As a result of Congress cutting the appropriation for the Office of War Information, the agency is to abolish its foreign news bureau, which supplies the American press with news from foreign broadcasts, principally Japanese. In announcing the plan, Neil Dalton, director of OWI domestic operations, stated on July 16, according to Associated Press advices from Washington on that date, that he estimated it would result in a saving of approximately $70,000 a year. It was added:

Matthew Gordon, bureau director, has notified employees that it will be abolished thirty days after the twenty-four employees have received formal notification. The twenty-four employees include about a dozen editors.

Mr. Dalton said discussions are under way with the Federal Communications Commission to see what arrangements can be worked out for distributing foreign news. He said he thought the news undoubtedly would continue to be available in some form. The actual monitoring of foreign broadcasts is conducted by FCC. The OWI foreign news bureau digests and distributes the broadcasts.

Pay FHLB Debs.

Announcement was made on July 10 by Everett Smith, fiscal agent of the Federal Home Loan Banks, that $50,000,000 Consolidated Debentures of the Federal Home Loan Banks would be paid in full at maturity July 16. The announcement added:

"Although part will be arranged for through a short term issue to mature October 15, 1945, there will be no public refunding. This October 15th maturity then will be the only indebtedness of the twelve District Banks.

"It is contemplated that renewed demand by the member institutions of the Federal Home Loan Bank System for financing homes or other purposes will result in substantial public financing in the future.

"The existing list of subscribing dealers and dealer banks will be maintained and notices of coming offerings will be sent as in the past."

Plan to Coin Govt. Silver

Senator Murdock, (Democrat), of Utah, advised the Senate on July 16 that the Treasury and President Truman have agreed that 300,000,000 ounces of the idle government silver shall be used for money. In effect, said Associated Press accounts from Washington, this "monetization" means the Treasury can issue $387,000,000 in silver certificates, holding the 300,000,000 ounces as backing for this currency. Senator Murdock told reporters the action will "help the prestige of silver money throughout the world." The Associated Press went on to say: "He said also it would save money in two ways:

"1. For the interest, which would have to be paid if the $387,000,000 were obtained by borrowing. (Senator Murdock estimated this interest at $7,740,000 a year.)

"2. It would put $246,000,000 into the Treasury as "seigniorage."

"Here's what the Senator meant by that: The Treasury now has 694,212,000 ounces of silver bullion which is "free silver" in that it has not been committed for monetary use. This silver cost the government an average of 47 cents an ounce. To "monetize" any of this silver would instantly bring the value of that portion of the metal stock up to $1.29 an ounce, since that is the lawful price of monetary silver.

"At 47 cents an ounce 300,000,000 ounces originally cost the government $141,000,000. If this much silver were monetized, its value would leap to $387,000,000. The difference in value, or "profit" to the Treasury, would be $246,000,000. This is called "seigniorage."

"Senator Murdock also said issuance of silver certificates would be less inflationary than issuance of "credit money."

Finland to Pay Russia Damages

The following from London July 18 is from the New York "Sun:" "Exchange Telegraph reported from Helsinki that Finland will pay Russia a war damage assessment of $50,000,000 in gold during the year beginning September, 1945, under terms of an agreement signed today."

To Investigate UNRRA Activities Abroad

Four House members are to leave for Europe early in September to investigate relief activities of the United Nations Relief and Rehabilitation Administration in Greece, Italy, France and Germany, and possibly elsewhere, the United Press reported from Washington, July 19, adding that the investigation was initiated because of reports which convinced the Joint Congressional Economy Committee that the United States was paying 72% of the UNRRA costs and that 35 of the 44 associated countries were alleged to be falling down in their commitments. According to the Associated Press the committee was told that only nine countries were fulfilling their obligations to contribute 1% of their national income to UNRRA. It also heard that the United States and Canada are filling most of the food requirements of war-stricken countries. The press advices went on to say:

Senator Byrd, Democrat, of Virginia, Committee Chairman, said after hearing the testimony of Roy Hendrickson, acting UNRRA head, that he had asked the agency to report on whether it was relieving temporary distress, or attempting to raise pre-war European living standards. Temporary relief was its function, not the boosting of living standards, he said.

The 9 countries meeting their obligations were the United States, Australia, Canada, Great Britain, Brazil, New Zealand, Costa Rica, Panama and Iceland, it was stated.

Mr. Byrd released figures showing that through June 30 the United States had supplied all the lard, margarine, soy bean products, milk and eggs distributed by UNRRA, and had shared with Canada the meat contributions.

Canada supplied 19,983,194 pounds of canned "meat lunch" and 11,709,917 pounds of fat cuts. The United States provided 702,624 pounds of canned meat and 292,751 pounds of liverspread.

Mr. Hendrickson said, meanwhile, that UNRRA hoped to buy $65,000,000 of United States surplus military stocks during the next six months for use in Europe. He said he chiefly wanted medical supplies, clothing, blankets, transportation equipment and engineering stores.

The Congressmen named to undertake the European investigation are Representatives King (D.-Cal.), Robertson (R.-N. Dak.) D'Alesandro (D.-Md.) and Hagen (R.-Minn.).

Allies Joined by Italy In Japanese War

A wireless message from Rome July 14 to the New York "Times" said:

"Italy declared war on Japan at yesterday's cabinet meeting. After notification had been given to the Governments of the United States, Britain, Russia and China and France, the announcement was made tonight.

"The step was more sudden than unexpected. In perhaps the most dramatic way open to this nation, it will serve to bring home to the Big Three, particularly the British and Americans, Italy's determination to do all she can in the final stage of the war against all that remains of the Axis, of which she was once a part.

"The statement accompanying word of the declaration said that plainly Italy, her liberation complete, wished above all to give proof of her will to fight the forces of aggression and imperialism wherever they challenge the United Nations, even if geographically Italy's interests were not directly involved.

Items About Banks, Trust Companies

The Continental Bank & Trust Company of New York reported as of June 30, 1945, total deposits of $188,156,812 and total assets of $201,029,292, compared, respectively, with $162,679,318 and $174,600,879 on March 31, 1945. Cash on hand and due from banks increased to $36,566,059, from $35,072,409; holdings of U. S. Government obligations to $69,042,973, from $64,995,210; loans and discounts to $74,696,322, from $54,825,574. Capital was unchanged at $4,000,000; and surplus rose from $4,500,000 to $5,000,000. Undivided profits were $1,030,888, against $1,408,770 at the end of the first quarter. General reserves were $1,322,988.

Colonial Trust Company of New York, reported as of June 30th total deposits of $52.936,691 and total resources of $54,751,822, compared with $46,148,125 and $47,954,128, respectively, on March 20, 1945. Cash on hand and due from banks amounted to $11,375,922, against $11,380,167; holdings of United States Government obligations to $26,466,470, against $27,808,543; and loans and bills purchased to $16,452,853, against $8,412,051. Capital, surplus and undivided profits were increased from $1,651,841 to $1,689,001.

The Chartered Bank of India, Australia & China, at 65 Broadway, New York 6, has announced the reopening on July 23 of its Manila Branch, which was established in 1873.

Eugene W. Stetson, Chairman of the Board of Directors of Guaranty Trust Company of New York, announced on July 18 the election of Robert W. Woodruff and Stuart M. Crocker as directors of the Trust Company. Mr. Woodruff, Chairman of the Executive Committee of the Coca-Cola Company, was educated at the Georgia Military Academy and Emory University. Successively connected with the General Fire Extinguisher Co., Atlantic Ice & Coal Corp., he joined White Motor Co., later becoming President of that company. Mr. Woodruff was President of the Coca-Cola Company from 1923 to 1939, Chairman of the Board from 1939 to 1942, and has been Chairman of the Executive Committee since 1939. Mr. Woodruff is a director of the Coca-Cola Company and subsidiaries, Continental Gin Co. (Birmingham), Trust Company of Georgia (Atlanta), and National Foundation for Infantile Paralysis; he is a trustee of Emory University and Martha Berry School, of Georgia. During World War I, he served as Captain and Major, Ordnance Dept., United States Army.

Mr. Crocker, President of Columbia Gas & Electric Corp., has long been identified with the electrical and utilities fields. After serving with the Navy's North Sea Mine Fleet in World War I, he completed his studies at Harvard, receiving the bachelor of science degree in 1920. He began his business career with Radio Corporation of America. In 1922 he became assistant to Owen D. Young, Chairman of the Board of RCA and General Electric Co., and following appointments as Vice-President and Treasurer of United Electric Securities Company, Vice-President of International General Electric Co., and Vice-President of General Electric Co., he was elected President of Columbia Gas & Electric Corp. in 1943.

At a meeting of the Board of Directors of the Bank of the Manhattan Company of New York on July 19, Murray Shields was elected a Vice-President. Mr. Shields will assume his new duties Sept. 1, acting as economist for the bank. Mr. Shields. following his graduation, occupied the following positions: Assistant to Economist, the Procter & Gamble Co.; Economic-Statistician, Goodyear Tire & Rubber Co.; Director, Trade Survey Bureau, Tanners Council of America; Assistant to President, United States Leather Co.; Assistant Director, Bureau of Business Research, University of Pittsburgh; and Economist, Irving Trust Company; from April, 1942, to December, 1944, he was part-time Consulting Expert in the United States Treasury Department.

E. Chester Gersten, President of the Public National Bank & Trust Co. of New York, announces that Samuel C. Macguire was appointed Assistant Manager of the Foreign Department. Mr. Macguire comes to the Public National Bank after having been for many years identified with the foreign departments of the Chase National Bank and the Guaranty Trust Co.

The Board of Governors of the Federal Reserve System announces that the Merrill Trust Company of Bangor, Me., a State member, absorbed on July 2 the National Bank of Calais, Calais, Me. In connection with the abscorption a branch was established at Calais.

With the absorption July 2 by the Norfolk County Trust Company of Brookline, Mass. (a State member of the Federal Reserve System) of the Norwood Trust Company of Norwood, Mass., also a State member, a branch was established by the Norfolk County Trust at Norwood.

Admission to the Federal Reserve System of two state chartered banks in Indiana, Pa., with a total capitalization of $475,000 and total deposits of $14,500,000 is announced by President Ray M. Gidney of the Federal Reserve Bank of Cleveland. This brings to 715 the number of member banks in the Fourth Federal Reserve District. The new member banks are the Savings & Trust Company of Indiana, Pa., organized in 1902 and with a present capital of $250,000, and Farmers Bank & Trust Company of Indiana, Pa., organized in 1876 and with a present capital of $225,000. With other banks, they serve an agricultural and coal mining area with an estimated population of 50,000. The Savings & Trust Company of Indiana has deposits of $8,760,000. Its officers are: E. E. Lewis, President; S. M. Jack, Vice-President, H. T. Rankin, Treasurer; Robert E. Lewis, Secretary and Trust Officer; Roy S. Stephens, Assistant Treasurer, and Myrtle C. McQuown, Assistant Secretary.

Farmers Bank & Trust Company of Indiana, Pa., has deposits of $5,740,000. Its officers are: William A. Simpson, President; James W. Mack, Vice-President; John G. St. Clair, Secretary, Treasurer and Trust Officer; J. Anthony Graff, Assistant Secretary and Treasurer, and Miss Buela M. Brown, Assistant Trust Officer.

Admission of the Midland Bank, Midland, Pa., to membership in the Federal Reserve System was announce on July 21 by Ray M. Gidney, President of the Federal Reserve Bank of Cleveland. Member banks in the Fourth (Cleveland) District now total 715. The Midland Bank, which serves a population of 8,500 in and near the steel mill city on the Ohio River four miles from the Ohio State line, was incorporated in 1913 as the Midland Savings & Trust Company. Its name was changed to Midland Bank in 1935. The present capital is $100,000. President of the bank is F. G. Moorhead. L. L. Hunter and G. I. McIntyre are Vice-Presidents; Frank M. Potts is Cashier and

(Continued on page 448)

Final Report on 7th War Loan Sales Shows NY State Leading Record of 'E' Bond Sales

In a final report on the Seventh War Loan, made on July 21 by the War Finance Committee for New York, Frederick W. Gehle, State Chairman, disclosed that war bond sales in New York State during the campaign which ended on July 7 reached $7,226,200,000, an amount greater than was ever before raised in the history of war financing in any State or in any country other than the United States. The total was more than three and a quarter billions above the drive quota originally set for the State.

Next to New York the States that achieved the largest Seventh War Loan totals were: Pennsylvania, Illinois, Massachusetts and California. The combined sales of these States was $6,413,000,000, or more than $800,000 short of the New York achievement.

Subscriptions from corporations business firms and financial institutions were largely responsible for the enormous New York total, says Mr. Gehle, who reports:

"These almost doubled the quota that had been set for them, the excess being 99.1%. Comparison in the different categories were as follows:

Seventh War Loan—	Quotas	Sales	Per Cent
E-Bonds	$460,000,000	$465,014,000	101.1
Other individuals	674,000,000	1,137,000,000	168.7
Total individuals	$1,134,000,000	$1,602,000,000	141.3
Corporations, savings banks, insurance companies and other non-individuals	2,825,000,000	5,624,000,000	199.1
Aggregate	$3,959,000,000	$7,226,200,000	182.5

"This has been the champion of all War Loan drives," Mr. Gehle said in announcing the final figures, "and the major credit for the success belongs to the great army of volunteers throughout the State."

Mr. Gehle said that the record of the all-important E-bond sales to the rank and file of small investors was particularly gratifying. He added:

"All through the period of the loan we fought an uphill battle against the public let-down which was so widespread after the military changes that followed V-E Day, and against the influence of cutbacks in industry and of growing unemployment. Nevertheless a final rush of sales put the E-bonds over their quota of $460,000,000, thus bringing to New York one of the greatest financial triumphs in its history."

In a message congratulating the volunteers in New York State, Mr. Gehle said, in part:

"You have again proved your devotion to your country, and by undertaking an unglamorous but essential task you have reaffirmed your faith in the spirit of American freedom."

The following chart shows the final results of the Seventh War Loan in New York State in comparison with other large States, with the percentage of quotas achieved by each:

	Total	% of Quota
New York	$7,226,000,000	182
Pennsylvania	1,759,000,000	219
Illinois	1,689,000,000	175
Massachusetts	1,516,000,000	216
California	1,449,000,000	169
Ohio	1,419,000,000	199
New Jersey	1,318,000,000	212

The following table shows the result of E-bond sales in New York State in comparison with the results of other large States:

	"E" Bonds	% of Quota Achieved
New York	$465,000,000	101
California	318,000,000	92
Pennsylvania	283,000,000	98
Illinois	281,000,000	101
Ohio	232,000,000	98
Michigan	207,000,000	92
Texas	171,000,000	102
New Jersey	132,000,000	89
Massachusetts	125,000,000	89
Indiana	105,000,000	101
Missouri	102,000,000	101

Final reports for New York City showed sales to all investors in the city amounting to $6,190,289,634, or 181.1% of the $3,417,420,000 quota, and final sales to individuals of $1,235,383,410, which is 145.8% of the $847,430,000 quota.

The city's cumulative E-bond sales of $288,754,786 against a quota of $287,300,000 are the largest ever made here in any War Bond drive, Mr. Gehle noted.

Anderson Reports on Food Situation

In a radio report on July 16, the new Secretary of Agriculture, Clinton P. Anderson, informed his listeners that there would be about 5% less food this year than during "last year's eating spree", and that continued shortages of several kinds of food could be expected for the next two or three years, New York "Times" Washington advices stated, and continued:

"Because of the time it takes to produce food not much relief from actual shortages can be expected during the rest of 1945," Secretary Anderson said. "The supply of food we have available to us at this time was fixed by what was done a year or more ago, just as what we do now will determine the food supply that will be on hand next year.

"For the months ahead meats, fats and oils, sugar, condensed and evaporated milk, and canned fruits and vegetables will continue in short supply. In addition, rice and dry bean supplies will get shorter.

"While the fruit crop, as a whole, will be good this year, apples will be much scarcer than last year. Transportation difficulties may make it impossible to move to consumers all of our fruit and fresh vegetables.

"One bright spot is in our milk supply. It is good and civilians will have a billion pounds more milk than last year.

"Except for wheat, potatoes and most fresh vegetables, the 1945 crops will not be adequate for all of the demands that are being put upon the food production of this country.

"We are hopeful that through corrective measures now contemplated, and with the help of the consuming public, we will get more equitable sharing of scarce foods. But some important foods will still be unavailable in the amounts we would like."

The reduction this year of 5% from last year, he said, might be irritating but was not alarming from a health standpoint. He went on:

"We shall still be eating on the average a greater total amount of food than we did before the war. We are likely to dine on more simple fare, minus the choice roasts, the thick juicy steaks, and much of the sweetening of prewar years."

The Secretary said this country still threw away the richest garbage in the whole world despite shortages in various food items.

"Because eggs are in such great demand," he said, "it is hard to realize we are consuming record quantities this year—an average of more than one egg a day per person. But supplies will be seasonally smaller in the last half of this year. Poultry supplies, allocated for civilians this year, will be smaller than last year.

"The prospective civilian supply of canned fruits is about the same as for last year, but much below pre-war levels because of large military requirements. Citrus juices, however, will be plentiful. There will be a big crop of potatoes, but none to waste, because the demand is greater when the supply of other food is limited. A large crop of rice is in prospect, but increased military requirements will reduce civilian supplies to low levels."

The most likely possibility he advanced for improving the food situation, aside from intimation that foreign and American military demands were likely to be scaled down, was a proposal for the United States to be "a lot more aggressive in getting from abroad certain of the food and food items which are critically short here at home." He referred especially to South America where, he said, the reverse climatic season should give opportunity to fill in gaps in the United States.

Concerning foreign commitments, Secretary Anderson declared that the European peoples who gave up their substance and their lives to help defeat the Nazis must not be forgotten, but he added:

"At the same time, however, we must be as honest with them on this question of food as we intend to be with our own people, and not lead them to expect more than we can supply."

Invokes Use of 1798 Law to Deport Aliens

President Truman on July 17 reactivated a 1798 alien-enemy statute which makes possible the deportation of dangerous alien enemies who are not subject to ouster under immigration laws. This is learned from Associated Press advices from Washington July 17, appearing in the New York "Herald Tribune" from which we also quote the following:

By proclamation issued through the White House, the President authorized Attorney General Tom C. Clark to ship back to their respective countries aliens he considers dangerous to the security of the United States.

The provision made effective by the proclamaton is part of the alien enemy act of 1798. The first part of the act, authorizing the arrest and internment of dangerous aliens was made effective by President Roosevelt when America entered the war. The second part, authorizing deportation, has now been invoked by President Truman.

The Justice Department explained that up to now alien enemies who have been deported have been voluntary repatriates or have been persons sent home because of immigration law violations. The department added that many dangerous aliens could not otherwise be deported because they have not been found to have violated immigration laws.

The department said it will announce shortly what steps it intends taking in view of the President's action.

Foreign Mail and Airmail

According to Postmaster Albert Goldman, information has been received from the Post Office Department, Washington, that, effective at once, letters not exceeding two ounces and non-illustrated postcards shall be accepted for dispatch by air or by surface means to destinations in Finland, Estonia, Latvia, Lithuania and Poland. The following postage rates are applicable to mail to be sent by surface transportation: Letters, five cents for the first ounce and three cents for the next ounce; postcards, three cents each.

Articles intended for dispatch by air are subject to the postage rate of 30 cents per half-ounce or fraction. Registration, special delivery, money-order, and parcel-post services are not available.

An International Bankruptcy Court Proposed

(Continued from first page)

28 countries were in default, from the Rio Grande border down to Cape Horn, and most of the countries of southeast Europe, plus Germany, Russia and China. Of the $5.5 billion of investors' loans outstanding, $2 billion, or about 37%, was in default.

The Annual Reports, of over 500 pages, of the Council of Foreign Bondholders of Great Britain, give the history of defaults for over 100 years. In the 19th Century, Spain defaulted 7 times, Austria 5 times, Germany 5 times, Turkey and Portugal 3 times, and Greece twice. The South American countries defaulted even more freely. Several countries like Honduras and Peru borrowed and defaulted almost recklessly. Columbia announced its default 14 times since 1820.

The French attempted to bring defaulting foreign debtors before a French court but failed. *Proposals for an international court for defaulting foreign debtors date back about 70 years.* In 1875, an International Court for Settling Disputes Due to Bankruptcy was discussed at the Congress for the Reform of International Law. The International Statistical Institute in the 1890's investigated the question of default of foreign loans and made recommendation to prevent further defaults.

The First Hague Conference in 1899 grappled with the question of international default but achieved nothing due to the trite reservations concerning "national honor and vital interests." A dishonest bum also affects pride when he does not wish to pay. At the Second Hague Conference in 1907, nations agreed to refrain from force in collecting debts unless the debtor refused to arbitrate. A debtor, invoking legal proceedings, might thus limit the use of force by creditors. However, the agreement provided no machinery to execute decisions of the court. Amusingly enough, during the sessions at the Second Hague Conference in 1907, Venezuela refused to repay a Belgian loan of ten million francs and simultaneously offered proposals to limit intervention as a means of collection.

The Pan-American countries showed a similar record of futile effort. In 1902, 17 American countries signed an agreement in Mexico to adjudicate disputes arising out of financial claims. This agreement was renewed at the Pan-American Congress in Rio de Janeiro in 1906 and extended through 1912. But in 1938, according to the report of the Foreign Bondholders' Protective Council, defaults on dollar bonds, whether national, provincial or municipal, were listed for Argentina, Bolivia, Brazil, Chile Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Mexico, Panama, Peru, Salvador and Uruguay. Yet these countries sat at Bretton Woods to decide on the machinery for further loans to themselves and other defaulting debtor countries.

Why did the Bretton Woods discussions and hearings in Congress ignore these facts? Why was not a single proposal made for bringing future defaults within the jurisdiction of international law?

The Covenant of the League of Nations provided for a World Court but not for the adjudication of bankruptcy. International finance is expected to play a major role in the reconstruction and development of foreign countries after the war but it is operating in a vacuum. Without an International Bankruptcy Court the Bretton Woods legislation for an International Bank for Reconstruction and Development will either end in futility or burden the taxpayer. For he becomes an unwitting and unwilling investor when the representative of his government undertakes commitments which properly belong in the field of private investment. The private capitalist, small and large, would welcome the opportunity to invest abroad, if the law afforded him the same legal process which brings a private corporate borrower to book.

An International Bank is not a substitute for national honesty. An inter-government guarantee is not a surrogate for governmental integrity. However, such a bank and such guarantees can surely accelerate international reconstruction and development, if prospective government borrowers must agree, as a condition of the loan, to abide by the decisions of an International Bankruptcy Court in case of default.

The defects in both the Monetary Fund and the Bank can be overcome by top-notch management. If the Boards of the Fund and the Bank are composed of practical men with experience in private international banking or in central banking, the defects in method can be cured. This a job, not for well-meaning novices, but for critical professionals.

The Bretton Woods legislation should be amended. Or, the Board of the Bank could require that defaults on loans must be adjudicated by an International Bankruptcy Court—a division of the World Court. International loans would thus be brought within the law. *International anarchy would cease.*

Japan Warned Only Salvation Lies in Uncondit'l Surrender

In a broadcast as "an official spokesman of the United States Government," Captain E. C. Zacharias, U. S. N., addressing his words directly to "Japanese leaders," in their own language, told the Japanese people on July 21 that unconditional surrender offered them the only possible salvation for Japan, according to an Associated Press Washington report on that date, which said:

"'The leaders of Japan have been intrusted with the salvation and not the destruction of Japan. . . . The Japanese leaders face two alternatives. One is the virtual destruction of Japan, followed by a dictated peace. The other is unconditional surrender, with its attendant benefits as laid down by the Atlantic Charter.'

"President Truman is reported to have taken to the Potsdam conference a whole series of recommendations dealing with possible definitions of unconditional surrender of Japan."

The broadcast warning was stated by the Associated Press to have been made with the President's full knowledge, and was said to fit into the pattern of his diplomacy in his conference with Premier Stalin and Prime Minister Churchill at Potsdam.

President Truman's primary interest, said the Associated Press from there, on July 22, is in ending the war with Japan as quickly as possible. The American position apparently is that, if the Japanese surrender soon, this country can have a freer hand in dealing with the beaten enemy.

The Potsdam advices added:

"Observers here believe that, unless the Japanese act quickly, important developments may be forthcoming in a Russian announcement, the price of which may complicate peace settlements when eventually they are made."

The Significance of the San Francisco Conference

(Continued from first page)

have just learned that the official history of this battle of words will run into 10 oversize volumes. It is true that men can't live by talk alone—unless you exclude commentators. We have had to talk ourselves into this new world organization; and it is my guess that we are going to have to keep talking to keep us sold on this alternative to a third World War.

Habit of Peace-Time Conference Renewed

All this talk is important for two reasons.

In the first place, the spokesmen of eventually 50 nations renewed the habit of peace-time conference — literally talking things over. This does not seem much in retrospect; but we must remember that the San Francisco parley means the reestablishment of this old habit of world conference. The people meeting at San Francisco had to talk their way to a common ground upon which they could all stand and work for future world order. Though the conference took place against the war-time setting of the battle for the Pacific, everything done at San Francisco is an effort to curb war.

Secondly, even for the Big Three it has been a new experience. America, Britain and the Soviet Union for the first time dealt with problems completely divorced from war making. There was none of the compromising force operating at Teheran and Yalta — the compromising force of facing a common foe. The American, British and Soviet leaders had to think beyond victory—make up their minds as to a world in which to live. The Big Three also expanded their counsels at San Francisco; China and France had to be fitted into the inner circle of great Powers. These dominant nations, moreover, had to face the rest of the United Nations in hard fought definition of the respective rolls of power and democracy. The Charter of the United Nations essentially is the product of the compromises between the few powerful and the many weaker nations of our current world order.

Progress of the Conference

Just let me take you through the nine weeks of conference to highlight the achievement at San Francisco.

First Week . . . The conference opened with a moment of silence April 25. After that there was a week of keynote speeches while the conference organization was perfected behind the scenes. Secretary of State Stettinius retained effective control of the parley as head of the steering committee, while the conference presidency rotated among the Big Four. Soviet Commissar Molotov's fight against the seating of Argentina supplied the drama.

Second Week . . . May 2 the four commissions, subdivided into 12 committees, began the study of the basic Dumbarton Oaks plan. The admission of Poland was blocked: but the Ukrainian and White Russian delegations took their places. Delegates met in closed sessions. The Big Four, as conference sponsors, agreed on their ideas of changes in the Dumbarton Oaks plan. The secretariat struggled with the hundreds of amendments submitted by the conference deadline. V-E Day only registered in San Francisco as another reason for hurrying up the job of world organization.

Third Week . . . May 9 found the Big Four over optimistic in their clarification of the famous veto formula worked out at Yalta. The surrender of Germany sped the return of Soviet Commissar Molotov, the British Foreign Minister and some other headliners to Europe. De Gaulle's France emerged from the eclipse of defeat as a permanent member of the Security Council. The United States maneuvered a ticklish compromise on regional security—ticklish, because it involved the Monroe Doctrine and Latin America. Two other major problems—trusteeships and the role of the smaller nations—held the stage.

Fourth Week . . . May 16 found the trusteeship issue acute, with Britain and the United States shying from the use of the word "independence" as the goal for dependent peoples. Australia's scrapping Foreign Minister, Dr. Evatt, began his championship of the claims of the smaller nations for a larger voice in the new world machinery. This renewed the fight on the Yalta veto formula. Though the charter was three-quarters completed, insiders began to worry over the adjournment date. The appearance of President Truman by June 6 seemed over-optimistic.

Fifth Week . . . May 24 opened up the fight of the smaller nations in earnest. The Big Five were beaten on two major issues. In committee, the smaller nations pushed through an amendment giving more power to the General Assembly; and the Big Five conceded a temporary seat on the key Security Council to any nation furnishing troops in the settlement of a dispute. The Big Five also found it necessary to call on their home governments for approval of the interpretation of the Yalta veto formula. Twenty-two other delegations waited for the answer to the trouble-making questions they'd put to the Big Five. Trusteeship issues remained unsettled—as did the World Court issues. But the set-up of the General Assembly, the "town meeting" of the United Nations, was completed. . . . And the dull grind of detail work at San Francisco dropped from the front page to give space for the Syrian crisis.

Sixth Week . . . May 31 opened under the tension of the Near East show-down. The French position became a test of the proposed Charter and the powers of the Big Five. Soviet Russia came to the support of her French ally, who claimed that the pacts signed against any new German aggression provided for automatic action even before the Security Council made any decision. A new Soviet stand on the veto question split the parley wide open; we made a direct plea to Stalin.

Seventh Week . . . June 7 ended the veto crisis, for Stalin approved conciliatory efforts at San Francisco. A revision of veto power was worked out two days later—a generally acceptable formula on Yalta was approved by the week-end. The new World Court plan also was accepted.

Eighth Week . . . June 14 found the freedom of the General Assembly to discuss international questions the main issue. The "Little 45" successfully challenged Big Five curbs and the liberalized Assembly role won. The long trusteeship fight over the ultimate goal being independence was settled—as being independence.

Ninth Week . . . June 21 marked both the opening of summer and the completion of the draft of the new Charter. The signing of the Charter becomes the proof of the success of the San Francisco Conference.

The battle of wordage and verbiage of course hasn't ended. But the Senate fight for ratification apparently is not going to have anything of the drama of 1920. President Truman, with his senatorial experience, has done a masterful job of bringing the Senate along with him on the Charter. It seems to me that the isolationists will continue to lie low—that we'll only hear from them when the United Nations Organization is actually in operation. There's every indication that the big American fight over the Charter will come in the future. It will manifest itself in efforts to sabotage our participation in the United Nations activities—especially where it comes to the auxiliary organizations yet to be set up. I believe that men like Senator Wheeler will bide their time . . . striking when we face a precedent-making action—possibly the employment of our armed forces on some unhappy day we've yet to face in the fight for world peace.

Prompt Ratification Called For

This is the idea, too, of Stalin. I am making an especial effort at this time to get any sort of comment from the Soviet sources. I note that the Moscow mouthpieces are stressing the stab-in-the-back theme as explaining what to expect from American isolationists. This makes our prompt ratification of the Charter only the first stage in building full confidence as to the American intention to see world organization through this time. There is no doubt speedy affirmative Senate action will set off an avalanche of ratifications.

But our action in approving the Charter is only the first step, for we must expect considerable suspicion abroad as to our willingness to continue the job. This is why American leadership in world affairs must be firmly asserted. We will have to show Doubting Thomases among our world neighbors that we intend to make the Charter work.

Now let me just give you a few human highlights. . . .

There isn't any question in my mind that the most consistent spokesman for a democratic United Nations was an Australian, Minister of External Affairs Evatt. No American could speak as wholeheartedly for democracy because the United States had—and has—a contradictory policy. We try to be democratic, especially in our alignment with Latin American neighbors; but we are basically part of the big power combine in global politics.

Stettinius's Effforts

The smoothest diplomatic job undoubtedly was done by Britain's Anthony Eden. The hardest worked man at the conference was Secretary of State Stettinius, who will emerge in a much more favorable light when I publish my book explaining some of the inside stories of the parley. He prevented the conference from bogging down and he prevented dangerous splits between the delegates by his personal efforts. The only tight bloc of countries to emerge at San Francisco is the Slavic group. The Soviet delegation called the tricks not only for the satellite Ukrainian and Bielo-Russian delegates but for the Czechoslovakian group. It's my bet that when Poland has a recognized regime the Poles obviously will be counted in the Soviet orbit of power.

San Francisco has scotched our old League of Nations fear of British Commonwealth domination. There was no British Commonwealth bloc, Australia and New Zealand taking the lead on lines frequently in sharp opposition to Great Britain.

Our domination of the republics of Latin America proves to be more fiction than fact. Our neighbors south of the Rio Grande don't follow us blindly. They drew a sharp line. They followed us when we stuck with Pan American ideals, but they diverged from us frequently on big power politics.

There's one thing that I'd like to make clear about the Soviet role at San Francisco. I think that the Soviet delegates got a liberal education in the democratic ways of the Western World. Mr. Molotov eventually found that he couldn't dismiss Mexico with a snap of his Commissar fingers; this is probably the beginning of a new deal in relationships between the Soviets and the outside world.

I should also like to make clear that the larger part of the delay imposed by the Soviet delegation was not obstructive. We just have to recognize that all important decisions must be referred straight back to Moscow. This will be the pattern of future Soviet participation in the United Nations conferences. But don't get the wrong impression. . . . Ambassador Gromyko was far from being Stalin's messenger boy after Molotov left. The truth is that all Soviet delegates are tough negotiators within the sharply defined limits of their instructions.

So the balance sheet of San Francisco strikes me as good. It represents probably the most successful conference since the First World War. But we must accept the hard fact that the San Francisco parley is just the beginning of our post-war collaboration. The very core of this post-war collaboration is the Big Five. The area of agreement at San Francisco has been wide. The Big Five have managed to get together on nine highly controversial issues—issues vital to a successful working of the Charter. But there has been a lot of diplomatic wear and tear in the process. The pessimists among us say that we're going to find it hard to get Big Five unanimity—concretely, that America, Britain, China and France will encounter great difficulty in working with Soviet Russia.

After watching the Russians in action at San Francisco I see something else. There is no doubt in my mind that the task of Big Five collaboration is difficult; but it is the condition of peace itself. The United Nations parley has shown me that we can work with Russia—and Russia knows that she has to work with us. This means hard bargaining all around the table . . . and it's hard on our nerves. We'll reach agreements this way—agreements that'll bridge one crisis after another in the looming post-war years.

Insured Parcels to Guatemala

Postmaster Albert Goldman made known July 23 receipt of information from the P. O. Dept., Washington, that an agreement has been made with Guatemala, effective Aug. 1, for the exchange of insured as well as ordinary parcels, up to the maximum weight of 44 pounds per parcel, and for the payment of indemnity for the loss, rifling, or damage of insured parcels in the actual amount based on the actual value (current price, or, in the absence of current price, the ordinary estimated value) at the place where and the time when the parcel was accepted for mailing, but not exceeding $100 when mailed in Guatemala or in the United States (including Alaska, Hawaii, Puerto Rico, Guam, Samoa and the Virgin Islands), provided in any case that the indemnity may not be greater than the amount for which the parcel was insured and on which the insurance fee has been collected.

Parcel-post packages for Guatemala must comply with the export licensing requirements of the Foreign Economic Administration. With the inauguration of insurance service, registered parcel-post service with Guatemala will be discontinued.

Foley Heads FHA

Raymond M. Foley of Detroit, whose nomination by President Truman as Commissioner of the Federal Housing Administration of the National Housing Agency was confirmed by the Senate on July 13, becomes the fourth man to head FHA since it was created under the National Housing Act in June, 1934, NHA reports. Mr. Foley, who will serve out the unexpired term of Abner H. Ferguson, resigned, had been FHA State Director for Michigan almost from the time the office was established. Mr. Ferguson resigned in June to assume the responsibilities of Washington Counsel for the United States Savings and Loan League.

Under Mr. Foley's direction, more than 110,000 home mortgages were insured by FHA in Michigan. Together with some $150,000,000 of insured property improvement loans, this brought the total FHA insurance operations in the state to approximately two-thirds of a billion dollars. This record made Michigan one of the leading states in FHA volume of insurance, while its loss ratio has been one of the lowest in the country. As part of his wartime duties as FHA director, Mr. Foley was in charge of processing priorities issued for construction of privately-financed war housing. Some 40,000 units of defense and war housing, privately built, were produced in 30 critical war housing areas in Michigan. During this time, Mr. Foley also served as housing chairman for the Office of Civilian Defense for Michigan under two governors, and on various regional planning and housing committees.

A bulletin from Morton Bodfish, Executive Vice President of the United States Saving and Loan League with headquarters in Chicago, advised member institutions that "in addition to his responsibilities arising from his affiliation as Washington Counsel, Mr. Ferguson will act in the capacity of mortgage consultant to the League." For the past five years Mr. Ferguson had been the chief executive of the FHA, having become administrator in 1940 and being then retained as Commissioner when the wartime consolidation of housing agencies in Washington brought about some temporary changes in titles and governing bodies of agencies. Before the creation of the FHA, he had been practicing law in Washington for a number of years, specializing in the problems of financial institutions operating in the mortgage field.

Result of Treasury Bill Offering

The Secretary of the Treasury announced on July 23 that the tenders of $1,300,000,000 or thereabout of 91-day Treasury bills to be dated July 26 and to mature Oct. 25, 1945, which were offered on July 20, were opened at the Federal Reserve Bank on July 23.

The details of this issue are as follows:

Total applied for, $2,045,886,000.

Total accepted, $1,312,071,000 (includes $60,077,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99,905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99,905, equivalent rate of discount approximately 0.376% per annum.

(60% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on July 26 in the amount of $1,310,260,000.

The State of Trade

(Continued from page 434)

retailing failures were only two-thirds their number last week and in the comparable week of the prior year. Failures in manufacturing, which accounted for almost as many failures as retailing a year ago, declined sharply from 7 last week to only 1 this week.

One Canadian failure was reported as compared with 3 a week ago and 4 in the same week of last year.

Paper Production—The ratio of United States paper production to mill capacity for the week ending July 14, 1945, as reported by the American Paper & Pulp Association, was 87.3%, compared with 47.3% for preceding week and 87.7% for corresponding week a year ago. Paper board production was at 90% for the same week, compared with 62% for preceding week and 91% for corresponding week a year ago. Previous week's operations were affected by holiday closings.

Wholesale Commodity Price Index—Recovering from last week's dip, the daily wholesale commodity Price Index, compiled by Dun & Bradstreet, Inc., rose to a new war-time high of 178.56 on July 16, closing at 177.11 on July 17. This compared with 176.89 a week previous, and with 171.77 on the corresponding date last year.

Trading in grain markets broadened considerably as prices trended generally higher. Demand for wheat and other grains was stimulated to a large extent by the publication of the latest official reort of the Bureau of Agricultural Economics which indicated that the corn crop had made a poor start and that the prospective yield would be only 2,685,000,000 bushels, the smallest crop since 1941, and 543,000,000 bushels less than the 1944 harvest. This year's production of all wheat is estimated at 1,129,000,000 bushels. This marks an all-time high record and the third time the crop has exceeded a billion bushels. Flour prices were firm although domestic demand was quiet and production was reported sharply curtailed by strike conditions.

Wholesale Food Price Index Shows Slight Rise—The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc. for July 18 moved 1 cent higher following the 2-cent drop recorded in the previous week. The index registered $4.10 as of July 17, as compared with $4.09 a week earlier, and with $4.02 for the similar date a year ago. Advances during the week occurred in rye, eggs, sheep and lambs. Only potatoes declined. The index represents the sum total of the price per pound of 31 foods in general use.

Retail and Wholesale Trade—Retail sales continued at the high level set last week. The weather was generally cooperative for merchandising — cool and fair. Volume was well sustained in jewelry, cosmetics, furniture, and decorative, items. Dun & Bradstreet, Inc. report apparel and food sales were about even with the previous week. Summer styles continued selling at an unprecedented level. The stock of bathing suits ran low and some retailers attributed the increased buying to the substitution of bathing suits for play suits. The rise in men's clothing was assigned to the increasing number of returned veterans anxious to return to civilian clothes. Millinery sales continued to rise over last year. Fine felts have aided in maintaining volume. In hosiery, meshes were bought to the extent that stocks were greatly diminished. The percentage increase in retail trade was partly attributable to early Fall buying; consumers reacted favorably to new styles in fur-trimmed coats.

The demand for sheets, towels, and piece goods continued in excess of supply. Lingerie fabrics sold in greater volume this year. Sales of outdoor goods were higher than last Summer.

Food supplies were generally tight but eased in a few essential articles. Canned citrus fruits continued selling fast with point-free orange juice leading. Apples and blackberries sold rapidly. Melons were in great demand as the season reached maturity. Butter sold under slightly improved supply conditions—enough to meet immediate demands. Lamb and mutton were in greater supply. The acute shortage of eggs still prevailed. Increased stocks of poultry—dressed preferred over live—eased the meat situation. The meat shortage was reflected again in additional demand for fish, lobsters, and fresh water turtles.

Retail sales for the U. S. were estimated at 11 to 16% above 1944. Regional percentage increases were: New England 9 to 13, East 10 to 14, Middle West 7 to 11, Northwest 8 to 12, South 17 to 21, Southwest 18 to 22, and Pacific Coast 13 to 17.

Wholesale trade remained about at last week's level and a little above last year. Reorders for Summer apparel were still coming in with Fall orders; retail stocks were reported declining. Grocery sales were under last year.

In the clothing markets reorders for Summer apparel continued high, but all could not be filled. Most early buying of coats and suits was over; the number of buyers was well below the peak market week in June, but was about twice as high as two years ago. A very active demand was reported for men's work clothes, furnishings, children's school clothing, and underwear. Some hosiery buyers found their search rewarded by a few allotments from mills which had not sold to them for some time.

Millinery business compared favorably with that transacted last year. Stores which had begun sales of furs placed further orders. Deliveries to retailers of spun rayon and woolen piece goods increased slightly. Many buyers were looking for household linens, despite the fact that some lines had not yet been offered for third quarter delivery. Volume of hard goods moved increased slightly as civilian production of furniture and hardware began to rise and retail demand continued high.

Despite slightly improved supplies of poultry and meat, due to lower set-asides, wholesale food volume was 2% below 1944 in the latest recorded week. Egg receipts were low; storage reserves were tapped. Demand for dried fruits and canned foods was unusually high for this season, but military requirements kept civilian business low and packers were unwilling to accept much future business until crop prospects became more certain.

According to the Federal Reserve Bank's index, department stores sales in New York City for the weekly period to July 14, 1945, increased by 12% above the same period of last year. This compared with a gain of 26% in the preceding week. For the four weeks ended July 14, 1945, sales rose by 20%, and for the year to date by 14%.

Department stores sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 14, 1945, increased by 15% and compared with a gain of 32% in the preceding week. For the four weeks ended July 14, 1945, sales increased by 20%, and for the year to date by 13%.

Department and specialty store sales rose to new peaks in 1944, showing an increase of 12% over the preceding year, the National Retail Dry Goods Association said July 23. Departmental profits before Federal taxes rose 1.2% to a new high record of 11.4%, but the effective corporate tax rate reduced net profits to a little less than one-third of that figure.

The report comprising figures of 288 stores reporting to the controllers' congress of the association showed aggregate sales volume of $2,258,587,000. Typical sales volume of owned departments averaged $3,856,000, while typical sales volume of leased departments amounted to $272,000.

Hours and Earnings In March Declined

Further declines in employment resulted in 6¼ million or 1% fewer hours of manufacturing time in the mid-week of March as compared with the mid-week of February, Secretary of Labor Frances Perkins reported May 25. "The average number of hours worked per man per week in March was 45.5, the same as in February," she said. In her advices Miss Perkins said that:

"Only two of the durable goods groups reported more manufacturing hours per week. The increase of 231,000 hours in the nonferrous group reflects gains in both employment and in the workweek while the rise of 141,000 in the stone group was made possible by extending the workweek by an average of 24 minutes."

Continuing she stated:

"The largest decrease in aggregate hours, close to 3¾ million, was reported by the transportation equipment group and was largely the result of an employment decline of 72,000 wage earners.

"Although the nondurable group reported a decline in aggregate hours, 6 of the 11 major groups reported increases, from 13,000 in the petroleum group to 275,000 in the chemical group. The size of the decreases in the remaining 5 groups was sufficiently large to offset these gains. Among the nondurable goods groups, the largest declines in aggregate hours were in the food and rubber groups. The decline in the food group occurred in spite of a lengthening of the workweek and was brought about by seasonal employment decreases. The decline in the rubber group was caused by a return to a 6-day workweek schedule occasioned by a shortage of materials, particularly carbon black.

"Weekly earnings in March averaged $47.51. The earnings in the durable-goods group amounted to $53.38 approximately the same as in February, while the earnings in the nondurable goods group averaged $39.00, 27 cents above February. In addition to a longer workweek in many of the nondurable groups, gains in weekly earnings reflect increases in hourly earnings resulting from wage rate increases.

"Average hourly earnings for manufacturing showed practically no change from February although 16 of the 20 major groups reported increases. The only sizeable decrease in hourly earnings was in the rubber group brought about by the curtailment of overtime in the workweek. Workers in the rubber group averaged $1.12 per hour and $50.62 a week in March as compared with $1.15 and $54.40 last month.

"Hours in bituminous coal mining averaged 43.6, a decline of an hour and a half from February. Comments from mines indicate that flood conditions along the Ohio River area stopped work from 1 to 5 days. Weekly earnings for bituminous coal miners declined almost 4% to $52.17."

The February figures appeared on page 234 of our issue of July 12.

Cost of Uncompleted Pan American Highway

The Senate War Investigating Committee has begun an inquiry into the complete history of the Pan American Highway. Originally estimated by the War Department that the entire project could be constructed for $14,714,000, the job was finally abandoned unfinished after $42,715,591 had been invested in it. These were the figures, which, according to Associated Press Washington advices on July 14, Lieut. Gen. Eugene Reybold, Chief of Army Engineers, presented to the Senate committee. From the Associated Press we also quote:

General Reybold said that the original estimate was based on "incomplete information" but that an important factor in the high cost was lack of shipping which resulted in delays due to shortages of material. As a result, workers remained idle for long periods.

Senator Ferguson (R. Mich.) developed from Brig. Gen. Kenneth Hertford of the Army General Staff that Gen. Dwight D. Eisenhower, as assistant chief of staff in 1942, opposed wartime construction of the road.

He read into the record a memorandum in which Eisenhower expressed the opinion that "no justification exists" for diversion of critical materials to the project.

It was approved, however, by the General Staff and Secretary of War Stimson. The Army service forces urged the highway to assure movement of supplies to the Panama Canal area. The project involved 905 miles of construction between the southern Mexican border and Panama City.

Reybold acknowledged that Eisenhower had been right.

"It is certain," Gen. Reybold said, "that if the War Department had known, in 1942, the facts it knows today the Pan-American highway would never have been built. In other words with knowledge that the Japanese menace in the Pacific would be met as soon as it was met, and with knowledge that the submarine sinkings in the Caribbean would be decreased, as they were decreased, there would have been no necessity to start the construction of the highway as a matter of military insurance.

"It is also true that if the Army had known earlier that the strategic situation, particularly in the Pacific, would improve when it did in fact improve, the work on the construction of the highway could have been stopped earlier."

Work was halted October 31, 1943.

China to Get More Gold From U. S., Also Cloth

Among the agreements negotiated in the United States by Premier T. V. Soong were two calling for the shipment to China of large but unspecificable quantities of gold and cloth, it was learned on July 21, said Associated Press advices from Chungking, China, appearing in the New York "Times," which added:

"The gold is to be sold by the Chinese Government to absorb the vast amount of inflated notes in circulation. The cloth will be distributed at reasonable prices in an attempt to depress the ever mounting cost of consumer goods.

"Recent suspension of gold sales by the Chinese Government caused the black market value of the American dollar to spurt to more than $3,000 (Chinese). It has dropped now to $2,600 (Chinese).

"All of the gold Premier Soong contracted for will arrive in China by the end of this year, it is reported."

War Agencies Voted Funds

Congress finally completed action on July 13 on the $769,364,850 war agencies supply bill, which has been held up since July 1 as a result of the struggle over funds for the Fair Employment Practices Committee. This controversy ended with House and Senate agreement, as reported by the Associated Press from Washington, July 13, on a compromise plan under which the FEPC is to receive $250,000 for operating purposes until next June 30, the Senate accepting by voice vote the House language which nullifies a previous stipulation that the agency must use the funds to liquidate. However, the Associated Press adds, the $250,000 is just half what FEPC had asked.

The bill, which by normal practice should have been approved before midnight June 30, the end of the old fiscal year, also includes another Senate-House compromise by giving the Office of War Information $35,000,000. The figure originally set for the OWI by the House had been $18,000,000; the Senate had voted $39,670,215.

Earlier in the FEPC wrangle Southern Senators, in an effort to bring about discontinuance of the agency, conducted a filibuster which for several days stood in the way of other legislation. The FEPC was set up by Executive Order of the late President Roosevelt to police industry against job discriminations on account of race, creed, color or national origin. The Southerners contended that it has just casued trouble, the Associated Press reported on June 30, and that it is backed by Communistic influences which want to discard all racial barriers in this country. The appropriation measure, sent to the White House for signature, extends 20 civilian war agencies for the present fiscal year.

Construction Contracts Awarded First Half 1945

Marked by a pronounced recovery in privately-owned manufacturing building, construction activity in the 37 States east of the Rocky Mountains showed substantial gains in the first half of the year, it was reported on July 23 by F. W. Dodge Corp., fact-finding organization of the construction industry. The report continued as follows:

All major classifications of construction showed gains over the first half of last year except residential building, which was down slightly more than 3%.

The total of all construction contracts awarded in the 37 Eastern States during the first six months was $1,432,399,000, compared to $960,221,000 in the corresponding period of last year, a gain of 54%, the Dodge corporation reported.

Nonresidential construction in the first half amounted to $807,612,000, an increase of 106%. Residential construction declined from $203,892,000 to $197,509,000. Public works and utilities totaled $477,278,000, an increase of 31%.

Manufacturing building construction contracts aggregated $515,806,000 in the first six months, to establish a gain of 162% over last year's $197,077,000.

Continued improvement in the position of privately owned construction as compared with publicly owned construction was revealed by Dodge's tabulations.

Privately owned construction contracts in the first six months totaled $573,491,000, compared to $243,543,000 in the corresponding period of last year. Privately owned construction in the first six months represented 39% of the total of all contracts. It represented 25% of the total in the first half of 1944.

Truman Commends Press Mission Tour

The hope that "freedom of the press may become a vehicle of more sympathetic understanding and therefore closer friendship among the nations of the world," was expressed on June 21 by President Truman in a letter to Wilbur Forrest, Assistant Editor of the New York "Herald Tribune" and Chairman of a committee that recently completed a 40,000-mile world tour in the interest of press freedom. The "Herald-Tribune" of June 22 indicated that the letter, along with the committee's full report to the American Society of Newspaper Editors' Board of Directors, is contained in a supplement to "Editor & Publisher," newspaper trade journal.

It is added that this supplement, which "Editor & Publisher" is sending to newspaper editors and Government officials throughout the world, also contained letters from Secretary of State Edward R. Stettinius, Jr., and other Government and military leaders.

Mr. Stettinius said he and other members of the United States delegation to the San Francisco Conference regarded freedom of the press as "one of the fundamental freedoms" that the developing United Nations organization is committed by its charter to promote.

The Secretary added that when the economic and social council sets up a commission on rights and freedom, the United States "will urge that it should promptly study the means of promoting freedom of the press, freedom of communication, and fuller flow of knowledge and of information between all peoples."

President Truman's letter, dated June 14, was given as follows in the "Herald-Tribune":

"It was good to see you and your associates, Mr. Ralph McGill, editor of "The Atlanta Constitution," and Dean Carl W. Ackerman, of the School of Journalism at Columbia University, comprising the freedom of the press committee of the American Society of Newspaper Editors. I desire to thank you heartily for sending me a copy of the report which you make to the A. S. N. E. and which you outlined to me in the course of a very interesting conference.

"Just as my lamented predecessor wished you and your colleagues godspeed when you started on your around the world mission in the interest of freer and better dissemination of news, so I was glad to welcome you home from an itinerary which I understand included the principal captials of Europe, the Orient, Australia and South America.

"I sincerely hope that the laudable purpose of your mission will be realized to the end that freedom of the press may become a vehicle of more sympathetic understanding and therefore closer friendship among the nations of the world.

"The unhappy conflict of principles and policies which has sundered the world and threatened civilization through six tragic years emphasizes the need of continued cooperation among the governments and peoples of the United Nations. I hope your mission will contribute to that happy consummation. I shall look forward with keen anticipation to the study of your report."

From the "Herald Tribune" we also quote:

The committee did not visit South America, as the President's letter mentioned. A proposed trip to that continent was postponed, the members explained, when the "good news" came that representatives of 20 American republics, meeting in Mexico City, had pledged lifting of war-time controls and peace-time interchange of information.

The editors' committee said in its report that "the spark of press freedom is alight" and that most newspapers everywhere will "insist that there be included in the peace treaties the elimination of peace-time censorship by governments, the elimination of press control by governments, and the establishment of a free flow of news between nations."

Mr. Stettinius's letter to Mr. Forrest follows:

"Thank you for your courtesy in sending me an advance copy of the report by the special free press committee of the American Society of Newspaper Editors.

"The support which this Government has given to the principle of freedom of information and to its promotion throughout the world is a matter of record.

"Here at the San Francisco Conference on International Organization, the United States has taken the leadership in insuring that the new world organization shall promote fundamental freedoms. The charter specifically provides that the organization shall promote universal respect for, and observance of human rights and fundamental freedoms for all without distinction as to race, language, religion or sex.

"I and my colleagues on the United States delegation regard freedom of speech as one of the fundamental freedoms referred to in this charter. It is our further understanding that freedom of speech includes freedom of the press, freedom of communication and freedom of exchange of information.

"Not only will the charter give strong and express recognition to these basic principles, it will also contain specific provision for action in these fields.

"The economic and social council is empowered to make recommendations on its own initiative, for promoting respect for and observance of human rights and fundamental freedoms, and the council is specifically directed to set up a commission for the promotion of human rights.

"We may be sure, I think, that when a commission is established, the United States Government will urge that it should promptly study the means of promoting freedom of the press, freedom of communication, and fuller flow of knowledge and of information between all peoples. In the meantime we shall press forward our active efforts to further these objectives in every practicable way.

"The report which your committee has brought back will, I am sure, be of great assistance to all of us. I congratulate you and your associates on the completion of a mission of public service in the best traditions of our democracy."

With the return of the directors of the American Society of Newspaper Editors from their tour a 50,000-word report which surveyed the results of a 40,000 mile world trip of three of its members who made the tour to study freedom of the press in other nations was issued at Washington it was stated in a dispatch from Washington to the New York "Times" on June 10

It was the first time in history, according to the "Times," that a mission such as this has been undertaken, and the main objective of the ASNE in being sponsor of the project was to obtain a pledge in the peace treaties "of Governments not to censor news at the source; not to use the press as an instrument of national policy, and to permit the free flow of news in and out of signatory countries."

The three press travelers said first that they did not find much press freedom under war-time conditions.

A large part of their report was given over to their reception in Russia. During their visit there they "achieved with top Soviet newspaper editors and Government press controllers a full and frank mutual survey of their different system and conceptions."

From the "Times" we also quote:

The travelers visited the Kremlin as a special courtesy, and also made an inspection of the plant of Pravda.

In other countries the American editors reported that they got expressions of sincere concern for the establishment of a world free press.

However, in other cases they uncovered skepticism.

On the constructive side, the editors got from Pope Pius XII, "whose interest was sincere and natural," his unqualified support.

From Egypt there were contrasting views. King Farouk said that he believed in a free press and free flow of news, but that his Cabinet interfered with both. On the other hand, Dr. Ahmed Mahrer Pasha, Egyptian Premier, who later was assassinated, considered the visitors' mission "idealist but impossible."

The Americans, who traveled by Army transport planes, carried letters of recommendation from President Roosevelt, Secretary Stettinius, Senator Tom Connally and Representative Sol Bloom.

Among their general findings were:

Many governments are controlling the press politically under guise of war security.

People in Italy and Germany, emerging from the ruin of war, know little or nothing of the world around them because of the controlled press of their former dictatorships.

It is the impression of some editors abroad that the American press is dominated by the advertiser and that much American thinking is directed toward undemocratic policies by so-called press "trusts" or chains.

The three-man committee proposed support for a world press-freedom conference in Australia and recommended the study of a system of bringing young foreign journalists to American papers to widen journalistic horizons of other nations.

Directors of the Newspaper Editors Society adopted a resolution of support for the world press freedom conference, the time to be arranged when conditions permit.

The board of the ASNE also adopted a resolution commending Secretary Stettinius for his help on freedom of the press, notably at the United Nations Conference in San Francisco.

Another resolution adopted by the board looked with apprehension on any merger of transmission facilities which would eliminate competition. Other newspaper organizations similarly are on record as the result of a proposal, two months ago, by the Navy Department, that all United States-operated international communication facilities be combined, or jointly operated, after the war.

Increase in Payments To Policyholders of Life Insurance Cos.

Payments to policyholders and beneficiaries in the United States by life insurance companies in the first five months of the year amounted to $1,140,699,000, or nearly $75,000,000 more than payments in the corresponding period of last year, the Institute of Life Insurance reported on July 18. The Institute further says:

"Death benefit payments were $560,591,000 in the five months, or $42,316,000 more than in the first five months of last year. War death claims continued during May to account largely for the increased payments of this year, the May total death benefits of $111,152,000 being 35% greater than in the same month of prewar 1941. Total life insurance in force has increased 25% in the same period, however, accounting for some of the claim increase."

War Ration Book No. 5 Available in December

War Ration Book Five, "smaller than a dollar bill" and containing just half as many stamps as the last book issued, will be distributed through the public schools in December, Chester Bowles, Administrator of the Office of Price Administration, announced on July 24. At the same time, the new A gasoline ration book will be issued.

Distribution will take place at school houses or other public buildings throughout the nation from Dec. 3 through Dec. 15. OPA district offices will fix the exact time for each local area. The new A gasoline books will go into use Dec. 22, and War Ration Book Five will be used soon after the first of the year for food rationing and for rationing shoes.

Mr. Bowles said:

"It takes a long time to plan, print and distribute a war ration book. That's why we must arrange now for a book that will not be used until early 1946.

"The supply agencies—the Department of Agriculture and the War Production Board—have told us that meats and fats, canned goods, sugar and shoes all will be in tight supply for some months to come, and so it looks as if a ration book will be needed at least throughout most of next year. To be reasonably on the safe side, and avoid the expense of having to get out still another book later, we have set up Book Five so that it can last from 10 to 15 months if it is needed.

"Even so, the book contains only half as many stamps as Book Four. By holding Book Five down to half the size of the present book, we are getting a book for less than half the cost of Book Four, and we are using only half as much paper.

"We hope War Ration Book Five will be the last in the series of war-time ration books, and that there will be plenty of stamps we won't have to use. We cannot gamble too heavily on that, though, since so many months are needed to bring a book into being.

"The new book is a better book, as it ought to be. It will be much easier to carry and handle, since it will be much smaller—smaller, in fact, than a dollar bill. It will be just as long as Book Four, but only one-half as wide. The numbering and arrangement of stamps is better, too. All the housewife and the grocer will have to remember is that stamps of certain numbers are good. The new stamps will not have both a letter and a number as the present stamps do."

The OPA announcement also said:

"The last full set of five blue stamps in War Ration Book Four will become good on Sept. 1. The final set of five red stamps will be validated a month later, on Oct. 1.

"Since War Ration Book Five, containing the new red and blue stamps, will not go into use before Jan. 1, 1943, it will be necessary to use other stamps in Book Four as substitutes for processed food and meat-fats stamps during the interim period.

"Interim period use of shoe and sugar stamps will not be necessary since the stamps provided for these items in Books Three and Four will carry the programs without resort to substitutions.

"Interim use of other stamps in Book Four after all blue and red stamps are validated will permit a considerable money saving. The saving will come from the fact that maximum possible use will be made of the remaining stamps in Book Four, and because the life of the incoming Book Five thereby will be lengthened.

"War Ration Book Five will be the fourth war ration book to be distributed by school teachers and other volunteers. On May 4, 1942, distribution of Book One began at school houses and other public buildings throughout the country. Book Two was distributed in the same way, beginning Feb. 23, 1943. War Ration Book Three was distributed by mail, beginning June 20, 1943. Distribution of Book Four got under way at school houses on Oct. 18, 1943."

Diez Optimistic on Post-War Latin-Amer. Trade

That Latin Americans are really good neighbors, was the conviction expressed on July 19 by Mario Diez, Vice-President in charge of the Foreign Division of the Colonial Trust Company, of New York, as he returned from a three months' trip to Mexico, Salvador, Costa Rica, Venezuela, Colombia, Ecuador, Peru, Bolivia and Chile. He was enthusiastic about the prospects for post-war commercial and tourist trade to and from Latin America. During the course of his trip, Mr. Diez discussed with many government, business and financial leaders ways and means by which exports to and imports from their countries could be expanded, on the premise that only mutual exchange of products and services can be permanently satisfactory and successful. His survey indicated, he said, that only by increasing our imports from Central and South American countries could we hope to expand our sales to them, thus contributing to the solution of some of our most important post-war economic problems.

Mr. Diez reported that industrialism in most of the countries he visited have progressed to a considerable extent as a consequence of the war. He stated his belief that this had already resulted in a higher standard of living and an expanded potential market for our products.

He stressed emphatically the great opportunity which our business men have to assist in the development of Latin America's tremendous resources . . . but warned against the psychology of exploiting those resources for quick, easy profits. He emphasized that the future of our commercial relations with Latin American depended upon cooperation between United States and local business men in the financing and management of Latin American industries—possibly branches of well-known, established North American organizations—so that they would actually become partners. "Many Latin American companies and individuals," said Mr. Diez, "have the necessary organization, energy, ability and capital to build great industrial enterprises, but they will welcome partnership with men from this country who, in addition to sharing the investment, bring technical knowledge and marketing experience."

Historical Society Elects

The "Agricultural History Society" of the United States, at their recent 26th Annual Meeting, announced the election of the following officers: President: Charles J. Brand, Washington, D. C.; Vice-President: Dr. Richard O. Cummings, University of California; Secretary-Treasurer: Chas. A. Burmeister, War Food Administration; Executive Committee: Prof. Clarence H. Danhof, Lehigh University.

Charles J. Brand's election follows a long line of distinguished men to hold that position. In addition, he is Consultant to the President of The Davison Chemical Corporation, Baltimore, Md. At this meeting, Dr. Arthur Peterson, of the Army Industrial College of the War Department, former President of the Society, made his annual address entitled "The Agricultural History Society —The First Quarter Century."

Steel Production Up 1%—Deliveries Far Advanced—Rated Business Reaches New High

"Because of a sudden but not trend-making increase in rated steel business this past week the volume of this type of orders reached the highest point since the end of the European war," states "The Iron Age" in its issue of today (July 26), which further reports in part as follows: "Steel sales offices conceded that there was little possibility that this condition would be repeated or that it indicated any reversal in the recent leveling off of CMP steel orders.

"During the past week most steel centers reported that backlogs of unrated civilian orders now exceed those of rated bookings with many companies. Unrated business volume last week showed little change from recent experience, mainly because of a continuance in extended deliveries and the inability of most companies to give concrete commitments.

"Pressure continues upon steel companies from all steel consumers despite the size of backlogs and despite the inability to predict with any certainty when civilian manufacturers will be able to partially satisfy their demand which is growing day by day. The flat-rolled steel picture with respect to sheets is now as tight as it was during 1942 and 1943 for plates. Mill schedules are filled far into next year on some items, but some steel sources continue to predict that the fourth quarter of this year will see a far different picture.

"Recently it was disclosed to a Sheet and Strip Industry Committee by WPB officials that little if any steel sheet and strip of the gages needed for automobile passenger car output would be available in July and August. Prospects for September deliveries on an unrated basis are said to be somewhat brighter, but would probably not reach anywhere near requirements.

"The recent easement in the plate and structural delivery situation hit a temporary snag this week when Navy requirements for 129,500 tons of this type of products materialized. Directives will be placed for August deliveries. This will push back rated and unrated orders for plates and structurals which had been set for that month. There was some speculation that a substantial portion of the tonnage might be placed with far-western mills holding openings for these products, particularly in view of the ultimate destination of this steel.

"The backbone source for the more fortunate automobile manufacturers for the production of cars has been stocks of deep drawn sheets held since the cessation of passenger car output in 1942. Special treatment of such material because of aging has been necessary.

"Contrary to reports last week the base price of cold-finished carbon steel bars is expected to be advanced while some extras will be lowered. First reports had the base price lowered."

The American Iron and Steel Institute on July 23 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 90.7% of capacity for the week beginning July 23, compared with 89.8% one week ago, 91.5% one month ago and 95.5% one year ago. The operating rate for the week beginning July 23 is equivalent to 1,661,300 tons of steel ingots and castings, compared to 1,644,800 tons one week ago, 1,675,900 tons one month ago, and 1,717,800 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on July 23 stated in part as follows:

"Little effect of War Production Board's effort to clear the complicated mill situation in steel sheets and strip has appeared, following the freezing of books for third quarter and subsequent revision to apply the freeze only to September orders.

"Cancellation of steel orders on mill books so far has been much less than expected, most applying to remote deliveries, leaving nearby schedules little higher. Mills have received few cancellations following the order to reduce inventories from 60 to 45 days supply, but more are expected to appear soon. Tightness continues in all major products except plates, the latter being available for August delivery in some instances, with expectation that further easing will be felt in fourth quarter. As a result of the tightness there is limited opportunity to schedule sheets, strip, bars and wire for civilian products before fourth quarter, except in cases where priority relief is afforded. Mills had heavy carryovers from second quarter, more than sufficient to overbalance total cancellations, with little expectation of substantial reduction of backlogs during the current quarter.

"Some relief is reported given manufacturers of automobile parts, some being able to place orders for early shipment, part of the volume replacing cancellations within lead time, while priority assistance with allotments accompanies others. Some of this tonnage is in heavier sheet and strip gages, which are considerably easier than for lighter gages.

"Structural demand is increasing and more projects are coming out, including public work and industrial expansion. Mills now are booked into November, with some capacity still open in October. Unrated orders are not likely to bring deliveries in third quarter. Relaxation in restrictions on building is causing projects to be forwarded more rapidly than in the past. At the same time contracting is held back in some instances by shortage of other materials than structural steel.

"Pig iron production is sufficient to fill needs but is critical, as neither producers nor consumers have much backlog and with a number of blast furnaces down for repairs or because of high costs there is little margin of safety.

"No betterment has appeared in steel and iron scrap supply and while melters are not distressed there has been no possibility of building reserves to the desired point and some apprehension is felt as to supply for the winter."

Cotton Spinning for June

The Bureau of the Census announced on July 20 that, according to preliminary figures, 23,140,502 cotton spinning spindles were in place in the United States on June 30, 1945, of which 22,188,330 were operated at some time during the month, compared with $22,167,678 in May, 22,158,674 in April, $22,232,168 in March, 22,223,848 in Feb., 1945, and 22,379,602 in June, 1944. The aggregate number of active spindle hours reported for the month was 9,239,765,994, an average of 399 per spindle in place, compared with 9,634,335,228, an average of 416 per spindle in place, for last month and 9,711,397,520, an average of 417 per spindle in place, for June, 1944. Based on an activity of 80 hours per week, cotton spindles in the United States were operated during June, 1945, at 118.8% capacity. The percent., on the same activity basis, was 114.8 for May, 116.9 for April, 121.8 for March, 122.2 for February, 1945, and 118.5 for June, 1944.

Senate Approves World Food Plan

The Senate approved on July 21 American membership in the United Nations Food and Agriculture Organization, a special dispatch to the New York "Times" stated from Washington on that date, by passage of a measure already approved in the House.

This country was committed, according to the "Times" report, simply to membership in the organization, to which 20 nations have announced their intention to adhere, and to provide $625,000 to pay its share of the expenses during the first year.

The United Nations Food and Agriculture Organization, which was formed in a meeting of 44 countries at Hot Springs, Va., called by the late President Roosevelt in May of 1943, the New York "Times" continued, has the objective of serving as a world-wide pool of "the best knowledge and experience relating to nutrition, agricultural production and marketing, and the best use of farm, fishery and forestry resources." It has no authority over the member governments, and is wholly a fact-finding and advisory body.

"The organization will not in itself take action to put any of its recommendations into effect, or to actually utilize any of the new information which it makes available to its members," said the report of the Foreign Relations Committee recommending adherence. "Those are things which will be done by the individual governments or their citizens."

Requirements upon member nations are four: to make periodic reports on food and agriculture, to contribute to the organization's financial budget, to grant to the staff of the organization "whatever diplomatic privileges are possible under constitutional procedures," and "to respect the international character of the organization's staff by not attempting to influence any of their nationals who may be selected for service on the staff."

Manufacturer May Pass on Wage Increase to Retailer

Federal Judge Harry E. Kalodner, in a precedent-making decision of far-reaching importance in the dressmaking industry, on July 19 dismissed the Office of Price Administration suit against Biberman Brothers, Inc., and ruled that a manufacturer may add wage increases to his costs and pass on the increase to the retailer, according to an Associated Press dispatch from Philadelphia, Pa. The OPA on April 26, 1944 had filed a $100,000 triple-damage suit, accusing the company of overcharging on 8,901 dozen dresses. Judge Kalodner refused to award damages or grant an injunction. The dispatch further went on to say:

Judge Kalodner ruled the manufacturers are entitled to add the wage increase as an item of labor cost regardless of whether the arbitrator was "right or wrong" in his decision. He added that the rule under which the OPA sued the Biberman company does not specify the manner in which ceiling prices are to be determined, but only provides a method for ascertaining "minimum allowable costs" of production, and that as there is no other regulation fitting exactly, OPA could not prove damages.

The OPA, in its suit, had charged that inclusion of an 8½% wage increase awarded workers in the dressmaking industry by an arbitrator might not legally be included in the manufacturer's costs because the contract between the Philadelphia Waist and Dress Manufacturers' Association and the International Ladies' Garment Workers' Union does not provide for an increase "of a percentage of the basic pay."

Similar OPA suits were reported pending against a dozen other Philadelphia manufacturers.

Sydney M. Friedman, OPA attorney, said the decision probably would be appealed.

The Biberman company operates plants at Sunbury, Northumberland and Philadelphia, and at Wilmington, Del.

Advances by FHLB Of Chicago in First Half of 1945

The Federal Home Loan Bank of Chicago advanced 3.9% more to its member savings, building and loan associations in Illinois and Wisconsin the first six months of 1945 than for the like period last year. A. R. Gardner, president, reports a total of $23,953,890 lent during the half year ended June 30. The advices from the Bank July 13 added:

"According to a seasonal pattern dating back ten years, June was the busiest month of the Bank's first six. Contributing factors this year are the gradual expansion of loans to veterans under the G.I. bill of rights, in which program the savings and loan associations are making the bulk of the transactions. Anticipation of some further relation in home building has also led to the associations' needs for more cash, it was pointed out.

"The war years have seen a steadily decreasing number of associations calling on their reserve institution for supplementary funds, he said, but a change in the trend is likely to be seen shortly. As of June 30, the number of associations using a part of their credit line was 127, as compared with 302 in December, 1941."

Schwellenbach Wants Labor-Manpower Agencies Under Labor Dept.

President Truman's new Secretary of Labor, Lewis B. Schwellenbach, told a press conference that he intended seeking administrative authority for his department over all the Government's scattered manpower and labor agencies, including perhaps the War Manpower Commission, the National War Labor Board, National Labor Relations Board, United States Employment Service, and other labor units. He wants the Labor Department expanded, he stated according to the Associated Press from Washington, July 17, but has not made up his mind definitely just what agencies should be merged under his control. He expects to confer with the heads of the agencies now having independent status. The Associated Press also had the following to say in the matter:

The new Labor Secretary emphasized that if he did recommend taking over WLB and NLRB it would be only to do their "house-keeping"—try to improve and speed up their procedure.

He was asked whether he wanted any authority over wage stabilization, now handled by WLB and the Office of Economic Stabilization. He replied he believed his department should have some say in the matter but "not to become an errand boy for the labor unions or WLB" to Stabilization Director William H. Davis.

Mr. Schwellenbach, reporting on conferences he has had with 30 leaders of AFL, CIO, railroad brotherhoods, United Mine Workers, and independent labor groups, said all of them favored his department taking over every governmental labor function, except the railroad mediation machinery.

Reporting on his reorganization studies, the Secretary said he had written the Senate and House Labor Committees urging legislation to create two additional Assistant Secretaries of Labor.

Seek Raise in Fair Labor Wage Minimum

Legislation has been proposed, in similar bills introduced simultaneously in the Senate and House, to increase the minimum wage under the Fair Labor Standards Act of 1938 from the present 40 cents per hour minimum to 65 cents, with provision for an increase of 5 cents per hour each year until a minimum of 75 cents is reached, the Associated Press stated in a dispatch from Washington on July 18.

A few days earlier a Senate Labor sub-committee headed by Senator Claude Pepper (D.-Fla.), recommended that any wages below 65 cents an hour be considered sub-standard. The Senate bill, introduced by Senator Mead (D.-N. Y.), acting for Senator Pepper, who was absent because of the death of his father, was said to have the sponsorship of ten Democratic members.

In offering the measure to the House, Rep. Frank E. Hook (D.-Mich.) estimated that some 10,000,000 workers might be affected. Similar bills were introduced by Reps. Walter B. Huber (D.-Ohio), Donald L. O'Toole (D.-N. Y.) and Melvin Price (D.-Ill.).

The proposed legislation would empower industry committees to raise the minimum in a particular industry to 75 cents an hour immediately and also would authorize them to set higher minimums for key occupations. The press accounts continued:

Another change would make wage-and-hour provisions applicable to seamen, persons employed in the processing of fish and allied products and individuals employed "within the area of production."

The bill also would eliminate exemptions from the hours provisions of employees engaged in operations on agricultural or horticultural commodities, poultry or livestock.

The National War Labor Board's recently announced policy of barring reductions in wages paid in reconversion from rates paid for similar war work met its first challenge today.

Edward O. Werner, attorney for the American Car & Foundry Co., of Wilmington, Del., sought a reduction in rates paid mechanics in its war-time shipbuilding plant when transferred to railroad car building and repair work in reconversion.

He asserted that the job classifications were different and less hazardous in car building and that his company lost money on repairing 15 cars recently because it paid the higher shipbuilding wages.

Illinois Bankers Assn. To Hold '46 Convention

The Illinois Bankers Association will hold its 1946 annual convention at the Jefferson Hotel in St. Louis, May 1, 2 and 3. Harry C. Hausman, Secretary, announces that a full program of activities for Illinois bankers has been scheduled, contingent, of course, upon ODT restrictions on travel and the relaxation of the present ban on holding of such meetings. The program for the rest of the Association year begins with committee meetings in Chicago at the Palmer House the week of Sept. 10. The fall group meetings will be held for the Northern Groups the week of Oct. 8 and for the Southern Groups the week of Oct. 22. The Mid-Winter Conference will be held at the Palmer House, Chicago, Feb. 22, 1946. The activities of the present Association year terminate with the annual convention in St. Louis.

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite during the week ended July 14, 1945 is estimated by the United States Bureau of Mines at 12,000,000 net tons, an increase of 3,874,000 tons over the preceding week. Output in the corresponding week last year was 12,290,000 tons. The total production of soft coal from Jan. 1 to July 14, 1945, is estimated at 317,151,000 net tons, a decrease of 6.9% when compared with the 340,611,000 tons produced during the period from Jan. 1 to July 5, 1944.

Production of Pennsylvania anthracite for the week ended July 14, 1945, as estimated by the Bureau of Mines, was 1,282,000 tons, an increase of 349,000 tons (37.4%) over the preceding week. When compared with the output in the corresponding week of 1944 there was an increase of 46,000 tons, or 3.7%. The calendar year to date shows a decrease of 17.6% when compared with the corresponding week of 1944.

The Bureau also reports that the estimated production of beehive coke in the United States for the week ended July 14, 1945 showed an increase of 19,100 tons when compared with the output for the week ended July 7, 1945; but was 14,100 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE IN NET TONS

	—Week Ended—			—Jan. 1 to Date—	
Bituminous coal & lignite—	July 14, 1945	*July 7, 1945	July 15, 1944	†July 14, 1945	July 15, 1944
Total, including mine fuel	12,000,000	8,126,000	12,290,000	317,151,000	340,611,000
Daily average	2,000,000	1,625,000	2,048,000	1,919,000	2,040,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE (In Net Tons)

	—Week Ended—			—Calendar Year to Date—		
Penn. anthracite—	‡July 14, 1945	§July 7, 1945	July 15, 1944	July 14, 1945	July 15, 1944	July 17, 1937
*Total incl. coll. fuel	1,282,000	933,000	1,236,000	28,892,000	35,050,000	30,095,000
†Commercial produc.	1,231,000	896,000	1,187,000	27,738,000	33,648,000	28,590,000
Beehive coke—						
United States total	127,800	108,700	141,900	3,262,900	4,145,500	1,988,400

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	—Week Ended—		
State—	July 7, 1945	June 30, 1945	July 8, 1944
Alabama	303,000	372,000	281,000
Alaska	5,000	6,000	6,000
Arkansas and Oklahoma	74,000	95,000	70,000
Colorado	88,000	120,000	82,000
Georgia and North Carolina	*	1,000	*
Illinois	933,000	1,352,000	1,074,000
Indiana	463,000	550,000	439,000
Iowa	37,000	45,000	40,000
Kansas and Missouri	115,000	125,000	118,000
Kentucky—Eastern	598,000	947,000	667,000
Kentucky—Western	277,000	407,000	273,000
Maryland	22,000	40,000	25,000
Michigan	2,000	3,000	2,000
Montana (bitum. & lignite)	88,000	103,000	67,000
New Mexico	23,000	30,000	21,000
North & South Dakota (lignite)	37,000	43,000	32,000
Ohio	550,000	770,000	530,000
Pennsylvania (bituminous)	1,987,000	2,958,000	2,137,000
Tennessee	83,000	123,000	87,000
Texas (bituminous & lignite)	1,000	1,000	2,000
Utah	92,000	121,000	92,000
Virginia	213,000	355,000	253,000
Washington	18,000	25,000	24,000
†West Virginia—Southern	1,160,000	1,984,000	1,453,000
‡West Virginia—Northern	805,000	1,155,000	789,000
Wyoming	152,000	188,000	110,000
§Other Western States	*	1,000	*
Total bituminous & lignite	8,126,000	11,920,000	8,674,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Electric Output for Week Ended July 21, 1945 0.1% Above That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended July 21, 1945, was approximately 4,384,547,000 kwh., which compares with 4,380,930,000 kwh. in the corresponding week a year ago and 4,295,254,000 kwh. in the week ended July 14, 1945. The output of the week ended July 21, 1945, was 0.1% in excess of that for the same week last year.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

	—Week Ended—			
Major Geographical Divisions—	July 21	July 14	July 7	June 30
New England	*1.0	*2.6	*0.5	1.1
Middle Atlantic	3.0	*1.4	2.9	2.3
Central Industrial	*1.3	*2.8	*1.2	*0.5
West Central	2.9	2.6	5.2	1.2
Southern States	4.1	2.4	6.8	3.8
Rocky Mountain	*1.6	*1.9	0.5	1.3
Pacific Coast	*5.0	*6.8	*5.1	*2.9
Total United States	0.1	*1.9	1.0	0.6

*Decrease under similar week in previous year.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1945	1944	% Change over 1944	1943	1932	1929
April 7	4,321,794	4,361,094	— 0.9	3,882,467	1,480,738	1,696.543
April 14	4,332,400	4,307,498	+ 0.6	3,916,794	1,469,810	1,709,331
April 21	4,411,325	4,344,188	+ 1.5	3,925,175	1,454,505	1,699,822
April 28	4,415,889	4,336,247	+ 1.8	3,866,721	1,429,032	1,688,434
May 5	4,397,330	4,233,756	+ 3.9	3,903,723	1,436,928	1,698,942
May 12	4,302,381	4,238,375	+ 1.5	3,969,161	1,435,731	1,704,426
May 19	4,377,221	4,245,678	+ 3.1	3,992,250	1,425,151	1,705,460
May 26	4,329,605	4,291,750	+ 0.9	3,990,040	1,381,452	1,615,085
June 2	4,203,502	4,144,490	+ 1.4	3,925,893	1,435,471	1,689,925
June 9	4,327,028	4,264,600	+ 1.5	4,040,376	1,441,532	1,699,227
June 16	4,348,413	4,287,251	+ 1.4	4,098,401	1,440,541	1,702,501
June 23	4,358,277	4,325,417	+ 0.8	4,120,038	1,456,961	1,723,428
June 30	4,353,351	4,327,359	+ 0.6	4,110,793	1,341,730	1,592,075
July 7	3,978,426	3,940,854	+ 1.0	3,919,398	1,415,704	1,711,625
July 14	4,295,254	4,377,152	— 1.9	4,184,143	1,433,903	1,727,225
July 21	4,384,547	4,380,930	+ 0.1	4,196,357	1,440,386	1,732,031
July 28		4,390,762		4,226,705	1,426,986	1,724,728

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES† (Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus
July 24	122.62	116.02	121.04	119.20	116.02	108.34	113.12	115.82	119.20
23	122.64	116.02	121.04	119.20	116.02	108.34	112.93	115.82	119.20
21	Stock Exchange Closed								
20	122.80	116.02	121.04	119.41	116.02	108.34	112.93	115.63	119.41
19	122.84	116.02	121.04	119.41	116.02	108.34	112.93	115.63	119.41
18	122.86	116.02	121.04	119.41	116.02	108.34	112.93	115.63	119.41
17	122.90	116.22	121.04	119.61	116.22	108.34	113.12	115.82	119.61
16	122.94	116.22	121.04	119.61	116.22	108.34	113.12	115.63	119.61
14	Stock Exchange Closed								
13	122.89	116.22	121.04	119.61	116.22	108.34	113.31	115.63	119.61
12	122.87	116.02	121.04	119.41	116.22	108.34	113.12	115.63	119.61
11	122.87	116.02	121.04	119.41	116.22	108.34	113.12	115.63	119.61
10	122.89	116.02	121.04	119.41	116.22	108.34	113.12	115.63	119.61
9	122.92	116.02	121.04	119.41	116.02	108.34	113.12	115.63	119.41
7	Stock Exchange Closed								
6	122.92	116.02	121.04	119.41	116.02	108.16	112.93	115.63	119.61
5	122.92	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
4	Stock Exchange Closed								
3	122.93	115.82	121.04	119.20	116.02	108.16	113.12	115.43	119.41
2	122.97	115.82	121.04	119.20	116.02	108.16	113.12	115.43	119.41
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
22	122.97	115.82	120.84	119.20	115.82	107.80	112.75	115.43	119.20
15	122.97	115.82	120.84	119.20	115.82	107.80	112.75	115.43	119.41
8	122.81	115.63	120.84	119.00	115.63	107.62	112.37	115.24	119.41
1	122.23	115.43	120.63	119.00	115.43	107.44	112.37	114.85	119.20
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
18	122.31	115.43	120.63	118.80	115.43	107.27	112.19	114.66	119.41
11	122.26	115.24	120.84	118.40	115.43	107.09	112.19	114.46	119.41
4	122.38	115.24	120.84	118.40	115.24	107.09	112.00	114.27	119.41
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
20	122.44	115.04	120.84	118.40	115.04	106.56	111.81	114.27	119.20
13	122.59	115.04	120.84	118.60	115.04	106.56	111.81	114.46	119.20
6	122.21	115.04	120.84	118.40	115.04	106.39	111.44	114.46	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1945	123.05	116.22	121.04	119.61	116.22	108.34	113.31	115.82	119.61
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
July 24, 1944	120.01	112.56	118.60	117.00	112.19	103.13	106.56	114.27	117.20
2 Years Ago									
July 24, 1943	120.52	111.25	119.20	116.80	111.44	99.36	103.47	114.08	117.20

MOODY'S BOND YIELD AVERAGES (Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus
July 24	1.62	2.85	2.60	2.69	2.85	3.26	3.00	2.86	2.69
23	1.62	2.85	2.60	2.69	2.85	3.26	3.01	2.86	2.69
21	Stock Exchange Closed								
20	1.60	2.85	2.60	2.68	2.85	3.26	3.01	2.87	2.68
19	1.60	2.85	2.60	2.68	2.85	3.26	3.01	2.87	2.68
18	1.60	2.85	2.60	2.68	2.85	3.26	3.01	2.87	2.68
17	1.60	2.84	2.60	2.67	2.84	3.26	3.00	2.86	2.67
16	1.59	2.84	2.60	2.67	2.84	3.26	3.00	2.87	2.67
14	Stock Exchange Closed								
13	1.60	2.84	2.60	2.67	2.84	3.26	2.99	2.87	2.67
12	1.60	2.85	2.60	2.68	2.84	3.26	3.00	2.87	2.67
11	1.60	2.85	2.60	2.68	2.84	3.26	3.00	2.87	2.67
10	1.60	2.85	2.60	2.68	2.84	3.26	3.00	2.87	2.67
9	1.60	2.85	2.60	2.68	2.85	3.26	3.00	2.87	2.68
7	Stock Exchange Closed								
6	1.60	2.85	2.60	2.68	2.85	3.27	3.01	2.87	2.67
5	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
4	Stock Exchange Closed								
3	1.60	2.85	2.60	2.69	2.85	3.27	3.00	2.88	2.68
2	1.59	2.85	2.60	2.69	2.85	3.27	3.00	2.88	2.68
June 29	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
22	1.59	2.86	2.61	2.69	2.86	3.29	3.02	2.88	2.69
15	1.59	2.86	2.61	2.69	2.86	3.29	3.02	2.88	2.68
8	1.60	2.87	2.61	2.70	2.87	3.30	3.04	2.89	2.68
1	1.64	2.88	2.62	2.70	2.88	3.31	3.04	2.91	2.69
May 25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
18	1.64	2.88	2.62	2.71	2.88	3.32	3.05	2.92	2.68
11	1.64	2.89	2.61	2.73	2.88	3.33	3.05	2.93	2.68
4	1.63	2.89	2.61	2.73	2.89	3.33	3.06	2.94	2.68
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
20	1.63	2.90	2.61	2.73	2.90	3.36	3.07	2.94	2.69
13	1.62	2.90	2.61	2.72	2.90	3.36	3.07	2.93	2.69
6	1.64	2.90	2.61	2.73	2.90	3.37	3.09	2.93	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.59	2.84	2.60	2.67	2.84	3.26	2.99	2.86	2.67
1 Year Ago									
July 24, 1944	1.80	3.03	2.72	2.80	3.05	3.56	3.36	2.94	2.79
2 Years Ago									
July 24, 1943	1.81	3.10	2.69	2.81	3.09	3.79	3.54	2.95	2.79

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Bank Debits for Month of May

The Board of Governors of the Federal Reserve System issued on June 11 its usual monthly summary of "bank debits," which we give below:

SUMMARY BY FEDERAL RESERVE DISTRICTS (In millions of dollars)

			—3 Months Ended—	
Federal Reserve District—	May 1945	May 1944	May 1945	May 1944
Boston	3,698	3,206	10,895	9,981
New York	36,317	27,103	102,669	86,816
Philadelphia	3,558	3,033	10,348	9,415
Cleveland	5,130	4,523	14,901	13,771
Richmond	2,803	2,481	8,196	7,523
Atlanta	2,632	2,404	7,846	7,214
Chicago	11,728	10,463	35,741	33,409
St. Louis	2,363	2,310	6,673	6,287
Minneapolis	1,456	1,222	4,107	3,937
Kansas City	2,644	2,243	7,787	6,797
Dallas	2,278	2,007	6,721	6,062
San Francisco	7,116	6,245	21,042	18,856
Total, 334 centers	81,723	67,259	236,923	210,068
*New York City	33,678	24,708	94,975	79,648
*140 other centers	40,635	36,049	120,188	110,405
193 other centers	7,410	6,502	21,761	20,014

*Included in the national series covering 141 centers, available beginning in 1919.

Market Transactions In Govts. in June

During the month of June, 1945, market transaction in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $56,414,050, Secretary Morgenthau announced on July 16.

The following tabulation shows the Treasury's transactions in Government securities for the last two years:

1943—		
June	$145,768,000	sold
July	67,757,200	sold
August	15,800,000	sold
September	2,651,600	sold
October	No sales or purchases	
November	$5,000,000	sold
December	4,800,000	purchased
1944—		
January	$9,924,000	sold
February	105,100,000	sold
March	11,500,000	sold
April	16,511,300	sold
May	9,965,000	sold
June	20,500,000	purchased
July	18,484,000	sold
August	18,992,500	sold
September	28,100,000	sold
October	*	
November	5,900,000	sold
December	12,000,000	sold
1945—		
January	$67,475,000	sold
February	48,131,000	sold
March	2,940,000	sold
April	55,600,000	sold
May	34,400,000	sold
June	56,414,050	sold

*Less than $50,000 sold.

Moody's Daily Commodity Index

Tuesday, July 17, 1945	254.6
Wednesday, July 18	254.7
Thursday, July 19	254.7
Friday, July 20	254.7
Saturday, July 21	254.7
Monday, July 23	254.8
Tuesday, July 24	254.4
Two weeks ago, July 10	256.7
Month ago, June 23	256.8
Year ago, July 24, 1944	249.6
1944 High, Dec. 31	254.4
Low, Nov. 1	245.7
1945 High, June 12	258.0
Low, Jan. 24	252.1

Witkin of Cocoa Exchange Returns From Trip

Isaac Witkin, President of the New York Cocoa Exchange, Inc., and President of General Cocoa Co., Inc., recently returned from an extensive trip throughout the cocoa-producing area in the Western Hemisphere, visiting Brazil, Trinidad, Venezuela and the Dominican Republic. Members of the Cocoa Trade were informed that everything possible was being done to increase production of cocoa beans, but unfortunately, most countries were having difficulty securing ample labor due mainly to the fact that most of the countries visited are producing strategic materials needed by the United States, and as a result, there is not sufficient labor available at present to increase the production of cocoa beans.

Brazil, it is stated anticipates a crop of approximately two million bags, and even though Brazil has inquiries from South American and European countries, the Trade has been advised that the U. S. have been assured their usual quota as in the past. In the Dominican Republic many farmers are neglecting cocoa, preferring to devote their efforts to more profitable commodities like coffee, rice, corn, etc. With the cessation of hostilities, however, given better prices for cocoa, farmers could be encouraged to return to more intensive cocoa cultivation.

Mr. Witkin is Chairman of a special committee appointed by the New York Cocoa Exchange, Inc., to study ways and means of increasing cocoa production throughout the world, particularly in the Western Hemisphere, and he took the opportunity during his visit to suggest to the officials modern methods of production and transportation, which in the long run should encourage the increase of production in the Western Hemisphere.

Trading on New York Exchanges

The Securities and Exchange Commission made public on July 18 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended June 30, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended June 30 (in round-lot transactions) totaled 3,909,636 shares, which amount was 15.07% of the total transactions on the Exchange of 12,973,920 shares. This compares with member trading during the week ended June 23, of 3,331,086 shares, or 14.45% of the total trading of 11,529,100 shares. On the New York Curb Exchange, member trading during the week ended June 30 amounted to 978,295 shares or 12.38% of the total volume on that exchange of 3,951,870 shares. During the week ended June 23 trading for the account of Curb members of 834,095 shares was 12.90% of the total trading of 3,233,350.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)
WEEK ENDED JUNE 30, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	354,020	
‡Other sales	12,619,900	
Total sales	12,973,920	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	1,159,860	
Short sales	156,958	
‡Other sales	917,450	
Total sales	1,074,430	8.61
2. Other transactions initiated on the floor—		
Total purchases	411,550	
Short sales	54,900	
‡Other sales	402,730	
Total sales	457,630	3.35
3. Other transactions initiated off the floor—		
Total purchases	323,927	
Short sales	45,050	
‡Other sales	437,189	
Total sales	482,239	3.11
4. Total—		
Total purchases	1,895,337	
Short sales	256,930	
‡Other sales	1,757,369	
Total sales	2,014,299	15.07

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)
WEEK ENDED JUNE 30, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	28,360	
‡Other sales	3,923,510	
Total sales	3,951,870	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	269,775	
Short sales	16,225	
‡Other sales	265,740	
Total sales	281,965	6.98
2. Other transactions initiated on the floor—		
Total purchases	109,710	
Short sales	8,300	
‡Other sales	88,055	
Total sales	96,355	2.61
3. Other transactions initiated off the floor—		
Total purchases	54,170	
Short sales	1,900	
‡Other sales	164,420	
Total sales	166,320	2.79
4. Total—		
Total purchases	433,655	
Short sales	26,425	
‡Other sales	518,215	
Total sales	544,640	12.38
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	100,135	
Total purchases	100,135	
Total sales	94,223	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Wholesale Prices Declined 0.2% In Week Ended July 14, Labor Dept. Reports

Lower quotations for a number of agricultural commodities caused a decline of 0.2% in the Bureau of Labor Statistics index of commodity prices in primary markets during the week ended July 14, according to the United States Department of Labor, which on July 19 reported that the index, at 105.6% of the 1926 level, was 0.4% below mid-June and 1.6% above the corresponding week of last year. The Department's advices added:

"**Farm Products and Foods**—Average prices for farm products dropped 0.9% during the week as the result of lower quotations for grains, fruits and eggs. Among the grains, substantially lower prices for rye and for wheat more than offset advances for oats and corn. Live poultry declined seasonally and egg prices were lower. Prices for oranges dropped sharply as increased supplies came on the market and apples were generally lower. Lemons and white potatoes were seasonally higher and small price increases occurred for onions and for tobacco. Cotton quotations advanced on reports of a small crop with continued heavy demand. In the past four weeks average prices for farm products have declined 2.1% but were still 3.2% above mid-July of 1944.

"The food index also dropped 0.9% as the result of lower quotations for fruits and eggs, with a price decline for rye flour and lower prices on dressed poultry in accordance with seasonal ceilings. Since mid-June primary market prices for foods have dropped 1.4% and were 0.6% above the corresponding week of last year.

"**Other Commodities**—The group index for all commodities other than farm products and foods remained unchanged during the week at a level of 0.1% above a month ago and 1.2% above the corresponding week of last year. Mercury prices continued to decline on cautious buying. Turpentine advanced about 4% following the decline of the previous week. Seasonally lower prices for potash caused a drop of 0.2% in the group index for chemicals and allied products. Other commodities remained generally unchanged."

The Labor Department included the following notation in its report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) indexes for the principal groups of commodities for the past three weeks, for June 16, 1945 and July 15, 1944 and (2) the percentage changes in subgroup indexes from July 7, 1945 to July 14, 1945.

WHOLESALE PRICES FOR WEEK ENDED JULY 14, 1945
(1926 = 100)

						Percentage change to July 14, 1945, from—		
Commodity Groups—	7-14 1945	7-7 1945	6-30 1945	6-16 1945	7-15 1944	7-7 1945	6-16 1945	7-15 1944
All commodities	105.6	105.8	105.9	106.0	103.9	—0.2	—0.4	+1.6
Farm products	128.2	129.4	130.1	131.0	124.2	—0.9	—2.1	+3.2
Foods	106.2	107.2	107.3	107.7	105.6	—0.9	—1.4	+0.6
Hides and leather products	118.5	118.5	118.5	118.3	116.8	0	+0.2	+1.5
Textile products	99.1	99.1	99.1	99.1	97.3	0	0	+1.8
Fuel and lighting materials	84.8	84.8	84.8	84.5	83.8	0	+0.4	+1.2
Metals and metal products	104.8	104.8	104.8	104.8	103.8	0	0	+1.0
Building materials	117.3	117.3	117.4	117.3	115.6	0	0	+1.3
Chemicals and allied products	95.2	95.4	95.4	95.3	95.4	—0.2	—0.1	—0.2
Housefurnishing goods	106.2	106.2	106.2	106.2	106.0	0	0	+0.2
Miscellaneous commodities	94.6	94.6	94.6	94.6	93.3	0	0	+1.4
Raw materials	117.6	118.3	118.7	119.0	113.9	—0.6	—1.2	+3.2
Semimanufactured articles	95.2	95.2	95.3	95.3	93.7	0	—0.1	+1.6
Manufactured products	101.9	102.0	102.0	102.0	101.0	—0.1	—0.1	+0.9
All commodities other than farm products	100.6	100.6	100.6	100.6	99.5	0	0	+1.1
All commodities other than farm products and foods	99.8	99.8	99.8	99.7	98.6	0	+0.1	+1.2

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM JULY 7, 1945, TO JULY 14, 1945

Increases			
Plumbing and heating	0.2	Paint and paint materials	0.1
Decreases			
Fruits and vegetables	4.4	Meats	0.4
Fertilizer materials	1.8	Livestock and poultry	0.1
Other farm products	1.3	Other foods	0.1
Grains	1.0		

National Fertilizer Association Commodity Price Index Advances Slightly

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on July 23, advanced slightly to 141.3 for the week ended July 21, 1945, from 141.2 for the preceding week. A month ago the index stood at 141.6 and a year ago at 138.2, all based on the 1935-1939 average as 100. The report went on to say:

Two of the composite groups of the index advanced during the latest week and two declined. The foods advanced fractionally with higher quotations for eggs more than offsetting small declines in the prices for potatoes and cottonseed oil. The farm products group showed a moderate advance with higher prices in the livestock subgroup more than offsetting the small declines registered in both the cotton and grains subgroups. The decline in the grains index was due to lower quotations for wheat at Kansas City and for rye; the advance in the livestock index reflected higher prices for cattle, lambs and eggs. A fractional decline was shown for the chemicals and drugs group because of lower prices for alumina sulphate. The textiles group also declined fractionally. All other groups in the index remained unchanged.

During the week 4 price series in the index advanced and 6 declined; in the preceding week there were 5 advances and 8 declines; in the second preceding week there were 3 advances and 6 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week July 21, 1945	Preceding Week July 14, 1945	Month Ago June 23, 1945	Year Ago July 22, 1944
25.3	Food	142.7	142.4	144.0	140.8
	Fats and Oils	145.0	145.2	145.2	145.1
	Cottonseed Oil	162.4	163.1	163.1	163.1
23.0	Farm Products	167.6	167.1	168.0	160.7
	Cotton	215.5	216.4	214.8	202.8
	Grains	163.0	163.7	166.1	158.9
	Livestock	161.8	160.6	161.6	154.6
17.3	Fuels	133.3	133.3	132.0	130.1
10.8	Miscellaneous Commodities	133.7	133.7	133.7	132.2
8.2	Textiles	157.2	157.3	157.1	152.6
7.1	Metals	108.9	108.9	108.9	104.4
6.1	Building Materials	153.8	153.8	153.8	154.0
1.3	Chemicals and Drugs	125.8	125.9	125.9	126.9
.3	Fertilizer Materials	118.3	118.3	118.3	118.3
.3	Fertilizers	119.9	119.9	119.9	119.7
.3	Farm Machinery	104.8	104.8	104.8	104.5
100.0	All groups combined	141.3	141.2	141.6	138.2

*Indexes on 1926-1928 base were: July 21, 1945, 110.1; July 14, 1945, 110.0; and July 22, 1944, 107.7.

Dissolutions of Banks and Credit Unions

The New York State Banking Department announced in its weekly bulletin issued June 15 the granting by the court of final orders dissolving and terminating corporate existence of the following institutions, which have been in voluntary liquidation for one or more years, filed pursuant to provisions of Section 605 of the Banking Law.

Name of Institution and Location—	Date of Order	Filed
Merchants Bank of Buffalo, Buffalo, N. Y.	6-4-1945	6 -9-1945
Imco Credit Union, Buffalo, N. Y.	6-8-1945	6-13-1945
Hiam Salomon Credit Union, New York, N. Y.	6-4-1945	6-14-1945
Canarsie State Bank, Brooklyn, N. Y.	6-4-1945	6-14-1945

A previous item in the matter appeared in our issue of June 21, page 2780.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on July 18 a summary for the week ended July 7 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE
Week Ended July 7, 1945

	Total For Week
Odd-Lot Sales by Dealers— (Customers' sales)	
Number of orders	17,918
Number of shares	518,132
Dollar value	$20,521,760
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	79
*Customers' other sales	19,346
Customers' total sales	19,425
Number of Shares:	
Customers' short sales	2,919
*Customers' other sales	426,546
Customers' total sales	429,465
Dollar value	$15,978,971
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	40
†Other sales	98,410
Total sales	98,450
Round-Lot Purchases by Dealers:	
Number of shares	156,880

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales"

Lumber Movement—Week Ended July 14, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 470 mills reporting to the National Lumber Trade Barometer were 5.9% below production for the week July 14, 1945. In the same week new orders of these mills were 12.7% more than production. Unfilled order files of the reporting mills amounted to 110% of stocks. For reporting softwood mills, unfilled orders are equivalent to 38 days' production at the current rate, and gross stocks are equivalent to 33 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 5.2%; orders by 9.8%.

Freight Traffic Volume Increased 3.1% in June

The volume of freight traffic, handled by Class I railroads in the first six months of 1945, measured in ton-miles of revenue freight, was slightly less than that moved in the same period in 1944, the Association of American Railroads announced on July 20. Freight traffic in the first half of the current year totaled approximately 366,337.903,000 ton-miles, compared with 368,733,822,000 ton-miles, or a decrease of 0.6%.

June traffic amounted to 63,600,000,000 ton-miles, according to estimates based on reports received by the Association from Class I railroads. This was an increase of 3.1% compared with June, 1944, and an increase of 10% compared with the same month in 1943. The amount of traffic handled by the Class I railroads in June this year, however, was almost 2½ times the volume carried in June, 1939.

The following table summarizes revenue ton-mile statistics for the first six months of 1945 and 1944 (000 omitted):

	1945	1944	% Change
1st 4 mos.	238,137,903	242,748,437	—1.9
Mo. of May	*64,600,000	64,270,148	+0.5
Mo. of June	†63,600,000	61,715,237	+3.1
Total 6 Mos.	366,337,903	368,733,822	—0.6

*Revised estimate. †Preliminary estimate.

Daily Average Crude Oil Production for Week Ended July 14 Up 57,800 Barrels to New High

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended July 14, 1945 was 4,944,000 barrels, a new high record, up 57,800 barrels per day when compared with the preceding week. It was also 341,650 barrels per day higher than the output in the corresponding week in 1944, and exceeded the daily average figure recommended by the Petroleum Administration for War for the month of July, 1945, by 64,100 barrels. Daily production for the four weeks ended July 14, 1945 averaged 4,907,882 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,945,000 barrels of crude oil daily and produced 15,349,000 barrels of gasoline; 1,611,000 barrels of kerosine; 5,197,000 barrels of distillate fuel, and 9,337,000 barrels of residual fuel oil during the week ended July 14, 1945; and had in storage at the end of that week 46,079,000 barrels of civilian grade gasoline; 39,322,000 barrels of military and other gasoline; 10,610,000 barrels of kerosine; 34,804,000 barrels of distillate fuel, and 41,489,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommen-dations July	*State Allow-ables Begin. July 1	Actual Production Week Ended July 14 1945	Change from Previous Week	4 Weeks Ended July 14 1945	Week Ended July 15 1944
Oklahoma	380,000	380,000	†389,700	+ 950	387,800	341,250
Kansas	274,000	269,400	†227,700	+35,400	267,450	278,800
Nebraska	1,000	----	†900	----	900	900
Panhandle Texas			87,500	----	88,750	89,150
North Texas			152,300	----	153,450	151,550
West Texas			521,400	----	509,500	463,550
East Central Texas			139,000	----	139,450	148,350
East Texas			379,500	----	378,550	363,550
Southwest Texas			360,750	----	359,200	319,750
Coastal Texas			568,950	----	566,000	531,400
Total Texas	2,170,000	‡2,174,285	2,209,400	----	2,194,900	2,067,300
North Louisiana			70,700	+ 950	69,700	72,150
Coastal Louisiana			296,900	----	297,950	285,400
Total Louisiana	360,000	400,800	367,600	+ 950	367,650	357,550
Arkansas	80,000	78,786	80,200	+ 200	80,000	80,550
Mississippi	53,000		51,800	— 200	51,400	44,050
Alabama	500		950	+ 200	800	150
Florida	----		250	----	132	50
Illinois	200,000		202,150	— 7,100	207,600	196,950
Indiana	13,000		12,900	+ 1,850	12,400	12,850
Eastern— (Not incl. Ill., Ind., Ky.)	64,200		66,250	+ 5,950	64,650	66,650
Kentucky	28,000		30,400	+ 400	30,400	24,350
Michigan	47,000		53,900	+ 4,800	49,600	50,300
Wyoming	118,200		115,350	+ 5,050	111,100	87,300
Montana	22,000		20,800	----	20,500	22,100
Colorado	12,000		10,700	— 200	10,950	8,450
New Mexico	105,000	105,000	103,250	— 50	103,550	108,000
Total East of Calif	3,927,900		3,994,200	+48,200	3,961,782	3,747,550
California	952,000	§952,000	949,800	+ 9,600	946,100	854,800
Total United States	4,879,900		4,944,000	+57,800	4,907,882	4,602,350

*PAW recommendations and State allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a. m. July 5, 1945.

‡This is the net basic allowable as of July 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 15 days, the entire State was ordered shut down for 5 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 5 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUEL FUEL OIL, WEEK ENDED JULY 14, 1945

(Figures in thousands of barrels of 42 gallons each)

	Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis							
District—	% Daily Refining Capacity Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Ref. Inc. Nat. Blended	‡Stocks of Gas Oil & Dist. Fuel Oil	‡Stocks of Residual Fuel oil	‡Gasoline Stocks Military and Other	‡Gasoline Stocks Civilian Grade
East Coast	99.5	785	99.2	1,949	7,919	6,363	5,475	7,717
Appalachian—								
District No. 1	76.8	93	63.7	340	764	284	1,401	1,217
District No. 2	81.2	53	106.0	183	259	132	157	765
Ind., Ill., Ky.	87.2	789	92.1	2,858	4,794	2,579	6,124	13,285
Okla., Kan., Mo.	78.3	392	83.6	1,364	1,914	1,355	1,950	7,073
Inland Texas	59.8	245	74.2	965	591	909	1,239	1,488
Texas Gulf Coast	89.3	1,158	93.6	3,587	6,002	5,628	9,713	5,007
Louisiana Gulf Coast	96.8	267	102.7	970	1,647	972	2,087	2,086
No. La. & Arkansas	55.9	89	70.6	236	850	190	73	2,379
Rocky Mountain—								
District No. 3	17.1	13	100.0	43	21	37	----	80
District No. 4	72.1	129	81.1	404	333	622	633	1,657
California	87.3	932	93.5	2,450	9,710	22,418	10,470	3,325
Total U. S. B. of M. basis July 14, 1945	85.8	4,945	91.0	15,349	34,804	41,489	*39,322	46,079
Total U. S. B. of M. basis July 7, 1945	85.8	5,006	92.1	15,082	33,677	40,754	¶39,429	¶46,900
U. S. B. of M basis July 15, 1944		4,588		14,023	36,907	54,804	35,539	45,315

*Includes aviation and military grades, finished and unfinished, title to which still remains in the name of the producing company; solvents, naphthas, blending stocks currently indeterminate as to ultimate use, and 11,734,000 barrels unfinished gasoline this week, compared with 11,767,000 barrels a year ago. These figures do not include any gasoline on which title has already passed, or which the military forces may actually have in custody in their own or leased storage. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,611,000 barrels of kerosene, 5,197,000 barrels of gas oil and distillate fuel oil and 9,337,000 barrels of residual fuel oil produced during the week ended July 14, 1945, which compares with 1,589,000 barrels, 4,875,000 barrels and 9,238,000 barrels, respectively, in the preceding week and 1,510,000 barrels, 4,861,000 barrels and 8.446,000 barrels, respectively, in the week ended July 15, 1944. ¶Revised figure.

Note—Stocks of kerosene at July 14, 1945, amounted to 10,610,000 barrels, as against 9,939,000 barrels (revised figure) a week earlier and 10,829,000 barrels a year ago.

Civil Engineering Construction $50,065,000 For Week of July 19

Civil engineering construction volume in continental United States totals $50,065,000 for the week. This volume, not including construction by military engineers abroad, American contracts outside the country, and shipbuilding, is the third highest week reported to "Engineering News-Record" this year, is 10% higher than the previous four-week moving average, and is 39% above the corresponding week of 1944. The report issued on July 19 continued as follows:

Private construction for the week is 30% lower than a year ago, but public construction shows an increase of 73%. Federal construction is 92% higher than a year ago and state and municipal is up 35% compared with the 1944 week.

The current week's construction brings 1945 volume to $1,006,049,000 for the 29 weeks, compared with $1,009,325,000 for the corresponding week last year. Private construction, $288,149,000, is 20% above last year, but public work, $717,900,000 shows a decrease of 11% due to the 17% drop in Federal construction. State and municipal construction, $559,303,000, is 18% above the 1944 period.

Civil engineering construction volumes for the current week, the preceding week, and the 1944 week are:

	*7-19-45 (5 days)	7-12-45 (5 days)	7-20-44 (5 days)
Total U. S. Construction	$50,065,000	$49,009,000	$36,063,000
Private Construction	8,349,000	10,250,000	11,926,000
Public Construction	41,716,000	38,759,000	24,137,000
State and Municipal	10,854,000	9,390,000	8,037,000
Federal	30,862,000	29,369,000	16,100,000

*Current week's statistics.

In the classified construction groups, gains over the preceding week are in waterworks, sewerage, bridges, streets and roads, public buildings and unclassified construction. All classifications show gains over the 1944 week. Subtotals for the week in each class of construction are: waterworks, $1,554,000; sewerage, $755,000; bridges, $1,373,000; industrial buildings, $5,602,000; commercial building and private mass housing, $1,785,000; public buildings, $16,110,000; earthwork and drainage, $307,000; streets and roads, $8,860,000; and unclassified construction, $13,719,000.

New capital for construction purposes for the week totals $6,425,000 and is comprised solely of state and municipal bonds. The current week's new financing brings 1945 volume to $1,477,938,000, 48% above that reported for the corresponding period last year.

Post-War Construction Planning Volume $21.6 Billions

Identified and recorded engineering projects proposed for construction in the post-war years totals $21,614,222,000 according to reports to "Engineering News-Record" in the period from Jan. 1, 1943, through July 12, 1945. Plans are under way or completed on post-war projects valued at $9,484,279,000, 43.8% of the total volume proposed, and on $1,510,728,000 worth of projects all financing arrangements have been completed.

Non-Ferrous Metals—Lead Sales in Good Volume—Copper and Zinc Demands Moderate

"E. & M. J. Metal and Mineral Markets," in its issue of July 19, stated: "Open-ending of CMP has brought some improvement in civilian demands for copper and other metals, but not to an extent to offset heavy cutbacks in war production. As a result, the buying of copper last week remained on the quiet side. Lead continued in good demand, but zinc was slow. WPB has again reduced its purchases of Canadian aluminum. Brass mills were informed that reports on month-end open capacity are no longer required. The situation in quicksilver remains unsettled and lower prices were named for spot and forward metal." The publication further went on to say in part:

Copper

The copper industry is operating on the assumption that an order will be issued shortly defining just when MRC metal will come into play now that the demands for copper for the war program have diminished. The order is expected to declare that domestic production will receive prior consideration, and, after it has been disposed of, MRC metal will be released to consumers. Current buying of copper for shipment next month is holding at about the same level as that experienced a month ago.

Lead

Demand for lead continued at a good rate, and producers believe that the tonnage purchased for August shipment will be about the same as that sold for July. Total supply, which includes foreign metal, will be somewhat in excess of requirements. Sales for the last week amounted to 9,152 tons.

Consumption of lead in the United States in 1944, covering both primary and secondary metal, amounted to 1,118,643 tons, according to the Tin-Lead-Zinc Division, WPB. In addition, 15,524 tons of lead were exported. Total consumption in 1943 came to 1,126,001 tons, and in 1942 to 1,049,222 tons. Storage batteries accounted for 307,271 tons of lead consumed in 1944, and cable covering absorbed 129,649 tons.

Zinc

Consumers, in numerous instances, have filed requests with WPB for zinc for delivery next month on "preferred orders" on obsolete forms. These have been returned for proper filing, causing some delay in attending to August requirements. Buying of zinc last week was on a modest scale.

Domestic producers of zinc are not satisfied with the recent revision of the zinc order, claiming that in practice it will work to the advantage of foreign producers. Most of the domestic output is likely to remain under control, particularly in Special High Grade and Prime Western, they argue, and in a scramble for the so-called free market foreign producers may find that they are in a far more favorable position than the domestic producer. Competition in "free" metal is expected to be particularly keen in areas accessible to Canadian producers.

Aluminum

WPB announced that it has cut back its purchase of aluminum in Canada by 25,000,000 lb. It also stated that 75,000,000 lb. still under contract must be shipped by the Aluminum Co. of Canada on or before Aug. 18, 1945. A contract signed late in March of the current year called for the delivery of 250,000,000 lb. of Canadian aluminum. This was reduced to 100,000,000 lb. in May.

Tin

The War Production Board continues to regard the tin situation as highly critical and in a statistical study released during the last week produced figures to impress upon consumers the need to conserve on the metal wherever possible in the transition period. The report placed the stock available for allocation as of May 1 at 23,654 long tons, against 83,076 tons at the beginning of 1942. Current production at the Texas smelter was not divulged, but in market circles output is estimated at around 3,200 tons a month. United States consumption of primary and secondary tin in 1944 was placed officially at 90,352 tons, against 81,840 tons in 1943.

Bolivia shipped tin concentrates during June that contained 4,537 metric tons of the metal, against 3,386 tons in May and 3,029 tons in June last year. Exports in the first six months of 1945 contained 21,476 tons of tin, which compares with 17,504 tons in the Jan.-June period of 1944.

The price situation in tin was unchanged last week. Straits quality tin for shipment, in cents per pound, was nominally as follows:

	Aug.	Sept.	Oct.
July 12	52.000	52.000	52.000
July 13	52.000	52.000	52.000
July 14	52.000	52.000	52.000
July 16	52.000	52.000	52.000
July 17	52.000	52.000	52.000
July 18	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c. per pound.

Quicksilver

Buying interest in quicksilver was inactive, and the price situation in the last week developed further weakness. Spot metal was available at prices ranging from $142 to $146 per flask, a drop of $2 compared with a week ago. Just where the market stood on forward business was a subject that puzzled all concerned. A report was circulated among traders to the effect that foreign metal could be purchased as low as $134 per flask, August shipment from abroad. In brief, on quantity business covering metal for August shipment from Spain, the price was considered to be a matter for private negotiation. Pacific Coast sellers also refrained from naming flat quotations on forward business, owing to the unsettled state of the market. Actual consumption of quicksilver has increased, but so have available supplies.

Silver

The London silver market was quiet last week and the price continued at 25½d. The New York Official for foreign silver was unchanged at 44¾c., with domestic metal at 70⅝c.

Urges Action on Full Employment Bill

On July 16 Henry Morgenthau, Jr., retiring Secretary of the Treasury, urged speedy Congressional action on what its sponsors term the "full employment" bill.

In a letter to Chairman Wagner (Dem., N. Y.) of the Senate Banking Committee, Mr. Morgenthau, according to Associated Press accounts from Washington appearing in the New York "Journal of Commerce" said the measure expanding social security coverage would fix a definite employment policy for the post-war reconversion period. He added:

"I am strongly of the opinion that Government does have a definite responsibility, together with industry, agriculture and labor, for seeing to it that a sound and prosperous economy in this country is maintained—an economy that will be able to absorb profitably the honest toil of the American worker and offer full encouragement to American productive genius."

Revenue Freight Car Loadings During Week Ended July 14, 1945 Increased 156,864 Cars

Loading of revenue freight for the week ended July 14, 1945, totaled 883,268 cars, the Association of American Railroads announced on July 19. This was a decrease below the corresponding week of 1944 of 20,633 cars, or 2.3%, but an increase above the same week in 1943 of 5,933 cars or 0.7%.

Loading of revenue freight for the week of July 14 increased 156,864 cars, or 21.6% above the preceding week.

Miscellaneous freight loading totaled 388,954 cars, an increase of 54,359 cars above the preceding week, but a decrease of 7,412 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 104,877 cars, an increase of 11,435 cars above the preceding week and an increase of 3,401 cars above the corresponding week in 1944.

Coal loading amounted to 175,081 cars an increase of 57,130 cars above the preceding week, but a decrease of 4,369 cars below the corresponding week in 1944.

Grain and grain products loading totaled 65,645 cars an increase of 10,713 cars above the preceding week and an increase of 3,109 cars above the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of July 14 totaled 46,157 cars, an increase of 5,314 cars above the preceding week and an increase of 4,173 cars above the corresponding week in 1944.

Livestock loading amounted to 13,293 cars, an increase of 2,398 cars above the preceding week but a decrease of 1,283 cars below the corresponding week in 1944. In the Western Districts alone loading of live stock for the week of July 14 totaled 9,231 cars, an increase of 1,733 cars above the preceding week, but a decrease of 495 cars below the corresponding week in 1944.

Forest products loading totaled 43,502 cars an increase of 11,911 cars above the preceding week but a decrease of 5,017 cars below the corresponding week in 1944.

Ore loading amounted to 77,255 cars an increase of 7,512 cars above the preceding week but a decrease of 9,474 cars below the corresponding week in 1944.

Coke loading amounted to 14,661 cars an increase of 1,406 cars above the preceding week, and an increase of 412 cars above the corresponding week in 1944.

All districts reported decreases compared with the corresponding week in 1944. All districts reported decreases compared with 1943, except the Allegheny, Southern and Centralwestern.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
4 Weeks of February	3,049,697	3,154,116	3,055,725
5 Weeks of March	4,018,627	[illegible]	3,845,547
4 Weeks of April	3,374,438	[illegible]	3,152,879
4 Weeks of May	3,452,977	3,441,616	3,363,195
5 weeks of June	4,364,662	4,338,886	4,003,393
Week of July 7	726,404	744,347	808,630
Week of July 14	883,268	903,901	877,335
Total	22,871,617	22,933,449	22,017,342

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended July 14, 1945. During the period 63 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED JULY 14

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1945	1944	1943	1945	1944
Eastern District—					
Ann Arbor	258	255	193	1,294	1,303
Bangor & Aroostook	1,472	1,072	1,007	329	286
Boston & Maine	6,571	6,522	6,180	12,124	12,779
Chicago, Indianapolis & Louisville	1,215	1,310	1,393	1,851	2,036
Central Indiana	34	45	26	40	35
Central Vermont	1,025	1,053	1,030	2,242	2,282
Delaware & Hudson	4,960	4,929	6,723	10,271	11,649
Delaware, Lackawanna & Western	7,735	7,622	8,081	9,418	11,019
Detroit & Mackinac	286	229	173	142	108
Detroit, Toledo & Ironton	1,708	1,850	1,880	1,202	1,179
Detroit & Toledo Shore Line	404	346	319	2,285	2,294
Erie	12,649	13,209	13,419	15,064	16,100
Grand Trunk Western	3,979	3,748	3,603	7,009	6,888
Lehigh & Hudson River	189	208	170	2,778	2,253
Lehigh & New England	1,936	2,036	2,299	848	1,614
Lehigh Valley	8,878	8,736	9,258	10,160	15,138
Maine Central	2,490	2,460	2,506	2,775	2,371
Monongahela	6,414	6,402	5,852	298	380
Montour	2,823	2,610	2,458	17	20
New York Central Lines	49,818	51,985	55,490	47,420	52,640
N. Y., N. H. & Hartford	9,425	9,017	9,427	15,706	17,518
New York, Ontario & Western	919	1,221	1,438	2,980	3,647
New York, Chicago & St. Louis	6,554	7,064	6,351	13,596	15,509
N. Y., Susquehanna & Western	407	399	543	1,674	1,777
Pittsburgh & Lake Erie	7,604	8,042	7,221	8,877	8,820
Pere Marquette	5,146	5,300	4,919	7,369	7,468
Pittsburgh & Shawmut	906	935	1,008	19	18
Pittsburg, Shawmut & North	366	369	376	173	212
Pittsburgh & West Virginia	980	1,510	1,252	2,564	2,461
Rutland	360	359	322	1,126	1,050
Wabash	6,118	6,347	5,837	10,469	11,718
Wheeling & Lake Erie	5,999	5,229	5,419	3,730	4,102
Total	159,628	162,428	166,173	195,850	216,674
Allegheny District—					
Akron, Canton & Youngstown	609	771	709	1,029	1,176
Baltimore & Ohio	48,310	48,606	42,068	25,889	30,297
Bessemer & Lake Erie	6,214	7,006	6,354	2,119	2,237
Buffalo Creek & Gauley	†	†	278	†	†
Cambria & Indiana	1,679	1,613	1,907	19	22
Central R. R. of New Jersey	7,181	7,153	7,111	16,431	20,113
Cornwall	543	555	658	44	49
Cumberland & Pennsylvania	176	226	248	14	8
Ligonier Valley	118	144	146	55	50
Long Island	2,356	1,692	1,182	4,060	3,925
Penn-Reading Seashore Lines	1,760	1,712	1,680	2,122	2,306
Pennsylvania System	89,627	91,638	86,181	57,844	65,495
Reading Co.	15,422	13,835	14,753	24,570	28,130
Union (Pittsburgh)	19,113	19,771	17,201	7,244	7,966
Western Maryland	4,233	4,196	4,712	11,439	12,082
Total	197,341	198,918	185,188	152,879	173,856
Pocahontas District—					
Chesapeake & Ohio	28,368	30,276	30,298	14,732	14,343
Norfolk & Western	21,168	22,545	22,523	6,368	8,789
Virginian	4,620	4,820	4,949	2,276	2,160
Total	54,156	57,641	57,770	23,376	25,292
Southern District—					
Alabama, Tennessee & Northern	475	363	358	242	280
Atl. & W. P.—W. R. R. of Ala.	758	809	630	2,241	2,511
Atlanta, Birmingham & Coast	1,316	1,260	906	1,162	1,215
Atlantic Coast Line	9,940	10,927	11,010	8,959	9,716
Central of Georgia	3,941	4,354	4,077	4,161	5,671
Charleston & Western Carolina	900	829	536	1,501	1,630
Clinchfield	1,750	1,880	1,697	2,614	2,915
Columbus & Greenville	202	190	261	307	289
Durham & Southern	117	139	107	470	601
Florida East Coast	912	862	1,371	973	1,249
Gainesville Midland	43	45	41	134	90
Georgia	1,500	1,404	1,125	2,535	2,533
Georgia & Florida	332	455	344	561	706
Gulf, Mobile & Ohio	4,981	4,440	3,418	4,315	4,080
Illinois Central System	27,461	28,875	25,822	16,137	15,758
Louisville & Nashville	26,815	26,331	25,564	11,778	11,385
Macon, Dublin & Savannah	336	308	312	729	857
Mississippi Central	416	247	285	497	591
Nashville, Chattanooga & St. L.	3,440	3,151	2,855	4,554	5,080
Norfolk Southern	1,102	1,610	1,807	1,202	1,766
Piedmont Northern	385	346	357	1,064	1,091
Richmond, Fred. & Potomac	521	407	416	9,437	10,724
Seaboard Air Line	10,431	10,910	9,988	7,230	8,385
Southern System	26,065	24,492	21,728	22,873	24,417
Tennessee Central	601	725	547	792	900
Winston-Salem Southbound	119	129	101	971	995
Total	124,859	125,488	115,663	107,439	115,435
Northwestern District—					
Chicago & North Western	19,584	20,078	22,507	14,307	12,317
Chicago Great Western	2,532	2,278	2,669	3,225	3,101
Chicago, Milw., St. P. & Pac.	22,314	21,853	21,188	10,757	11,778
Chicago, St. Paul, Minn. & Omaha	3,598	3,397	4,109	3,481	3,333
Duluth, Missabe & Iron Range	28,692	28,648	31,875	258	316
Duluth, South Shore & Atlantic	796	766	983	562	529
Elgin, Joilet & Eastern	8,342	9,166	8,612	8,210	9,581
Ft. Dodge, Des Moines & South	482	459	478	90	67
Great Northern	21,565	25,385	26,044	8,642	6,059
Green Bay & Western	425	491	368	775	968
Lake Superior & Ishpeming	3,084	3,306	2,496	139	45
Minneapolis & St. Louis	2,165	2,195	2,091	2,534	2,325
Minn., St. Paul & S. S. M.	7,179	7,774	7,526	3,140	2,876
Northern Pacific	10,056	11,479	11,478	5,946	5,426
Spokane International	276	154	116	599	543
Spokane, Portland & Seattle	2,255	2,766	2,681	3,904	3,076
Total	133,345	140,195	145,221	66,569	62,340
Central Western District—					
Atch., Top. & Santa Fe System	30,649	30,905	23,984	14,135	12,097
Alton	3,714	3,556	3,366	3,509	4,359
Bingham & Garfield	400	420	405	108	105
Chicago, Burlington & Quincy	20,069	19,669	21,027	12,344	10,886
Chicago & Illinois Midland	3,168	3,103	3,196	900	865
Chicago, Rock Island & Pacific	14,669	15,126	13,662	14,290	12,289
Chicago & Eastern Illinois	3,116	2,910	2,477	4,383	6,885
Colorado & Southern	672	713	782	2,972	2,123
Denver & Rio Grande Western	3,011	3,971	3,497	6,680	5,503
Denver & Salt Lake	572	821	768	109	43
Fort Worth & Denver City	957	1,435	1,208	1,874	1,340
Illinois Terminal	2,027	2,437	1,845	1,822	2,001
Missouri-Illinois	1,340	1,181	1,106	730	672
Nevada Northern	8	1,027	2,090	47	107
North Western Pacific	862	1,014	988	738	704
Peoria & Pekin Union	33	6	8	0	0
Southern Pacific (Pacific)	33,772	34,515	33,985	15,008	13,268
Toledo, Peoria & Western	396	322	384	1,991	2,032
Union Pacific System	17,667	16,596	15,629	18,856	15,916
Utah	666	409	600	2	5
Western Pacific	2,217	2,084	2,164	4,647	3,518
Total	139,985	142,220	133,171	105,145	94,718
Southwestern District—					
Burlington-Rock Island	314	649	541	815	348
Gulf Coast Lines	4,834	5,988	5,177	2,233	2,336
International-Great Northern	2,652	2,965	2,247	3,378	3,747
Kansas, Oklahoma & Gulf	379	168	267	601	944
Kansas City Southern	3,662	6,286	5,893	2,979	2,529
Louisiana & Arkansas	3,587	3,950	3,860	3,001	2,664
Litchfield & Madison	298	334	403	1,221	1,086
Midland Valley	822	752	769	529	406
Missouri & Arkansas	203	90	289	412	345
Missouri-Kansas-Texas Lines	7,059	6,958	5,717	4,050	5,008
Missouri Pacific	19,484	18,353	18,761	17,902	18,457
Quanah Acme & Pacific	114	76	60	260	330
St. Louis-San Francisco	10,696	9,774	9,045	7,930	8,053
St. Louis-Southwestern	3,601	3,374	2,746	6,145	7,066
Texas & New Orleans	10,643	12,258	13,247	5,601	5,255
Texas & Pacific	5,459	4,913	4,991	7,411	7,866
Wichita Falls & Southern	123	90	110	34	25
Weatherford M. W. & N. W.	24	33	26	21	38
Total	73,954	77,011	74,149	64,523	66,503

†Included in Baltimore & Ohio RR.
Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
April 7	203,891	146,832	604,720	92	94
April 14	159,733	158,938	604,214	97	94
April 21	125,708	162,040	564,631	98	95
April 28	142,387	158,854	546,311	99	95
May 5	223,162	161,764	605,892	97	95
May 12	152,208	153,111	602,717	94	95
May 19	126,285	158,532	565,867	97	95
May 26	129,327	157,794	532,257	97	95
June 2	168,204	153,359	546,211	93	95
June 9	189,674	159,228	575,167	97	95
June 16	129,618	159,230	537,182	96	95
June 23	115,768	157,932	491,287	96	95
June 30	166,083	156,447	499,505	96	95
July 7	180,155	99,960	575,918	62	94
July 14	151,085	145,797	575,134	90	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Cotton Purchase Plan Enables Banks to Increase Credit Servs.

Banks in the cotton growing states will have an opportunity this year to increase their credit services to their farm customers by virtue of a plan worked out between the Agricultural Commission of the American Bankers Association and the Commodity Credit Corporation, according to C. W. Bailey, Chairman of the Commission, who is also President of the First National Bank, Clarksville, Tenn.

The purchase plan for the 1945 cotton crop announced by the Commodity Credit Corporation calls for a purchase price schedule which provides that the grower may sell his cotton to the government at a price roughly corresponding to full parity, said advices from the A.B.A. July 18, which also had the following to say:

"Since this purchase price schedule in effect is a guaranty of the minimum price for cotton, banks need have no hesitancy in making direct loans to their farm customers on their own forms instead of making non-recourse loans on CCC forms. The Commodity Credit Corporation is urging banks to make these direct loans to farmers to hold back a substantial quantity of the new cotton from sale to the government. The assured schedule of prices will encourage the producer to hold cotton for higher prices."

In a letter and folder explaining the procedure for making these cotton loans which were mailed to banks in the ten cotton producing states, Mr. Bailey says, "Commodity Credit Corporation has announced that eligible cotton of the 1945 crop will be purchased by that agency from producers at a fixed scale of prices, varying by grade, staple, and location, on the basis of 22.15 cents per pound gross weight for middling 15/16, at Memphis in August, with an increase of 5 points per pound per month until June 1946 when the price reaches 22.65. This situation presents an attractive opportunity for banks of the cotton-growing states to assist in the orderly marketing of this year's cotton crop by making loans to farmers. The Government commitment to purchase eligible cotton securing a loan can provide a degree of safety to the bank and to the farmer comparable to the safety of an ordinary CCC non-recourse loan where the Government is committed to buy the loan and absorb any loss resulting from a drop in the market price of cotton."

Under the plan, the producers would place their cotton in an approved warehouse, have the cotton sampled on arrival at the warehouse and the warehouse would forward the samples to the Board of Cotton Examiners for classification. The producer and the bank would know the exact value of the bale of cotton under the CCC purchase program. "The Commodity Credit Corporation is committed to buy the eligible 1945 cotton at guaranteed prices up to June 30, 1946, and has indicated that it will welcome the assistance of banks in financing farmers to hold their cotton for better prices," Mr. Bailey said.

In addition to all the banks in the ten major states of the Cotton Belt including Alabama, Georgia, Mississippi, Oklahoma, Tennessee, Arkansas, Louisiana, North Carolina, South Carolina and Texas, the letter and material explaining the purchase program for banks were mailed to state secretaries and county key bankers in Arizona, California, Florida, Missouri, New Mexico and Virginia.

Items About Banks, Trust Companies

(Continued from page 438)

Secretary, and Harold C. O'Brien is Assistant Cashier and Assistant Secretary. Directors are Fred H. Cook, P. D. Lockwood and all of the officers except Mr. O'Brien.

Merger of the Fidelity Trust Company and the Public Bank of Maryland, both of Baltimore, was approved on July 17 at meetings of the stockholders of the respective institutions. The Baltimore "Sun," noting this on July 18, added:

"It is contemplated that the merger will become effective at the close of business on July 28, after which date stockholders of the Public Bank may exchange their stock at the main office of the Fidelity Trust Company, on the basis of four shares of stock of the Public Bank for one share of stock of the Fidelity.

"The combined institutions will have total resources of more than $60,000,000 and capital accounts exceeding $3,000,000. The merger will give the Fidelity five offices in addition to its main office, and a personnel not only trained to handle trusts and general banking but in consumer-credit and personal loans.

"Four new directors were chosen: Walter Sondheim, James F. Turner, Robert O. Bonnell and Leonard A. A. Siems, the first three being directors of the Public Bank, while Mr. Siems is a Vice-President of the Fidelity.

"Mr. Sondheim is Vice-President and Treasurer of Hochschild, Kohn & Co., a Vice-Chairman of the Baltimore Chapter, American Red Cross, a former President of Associated Jewish Charities.

"Mr. Turner, President of Flynn & Emrich Co., long-established foundry and engineering company, is a director of William C. Robinson Company, the Industrial Building Company, the YMCA and the Kernan Hospital for Crippled Children.

"Mr. Bonnell, in addition to being President of the Public Bank, is President of the Associated Hospital Service, Chairman of the Baltimore Aviation Commission. He will become a Vice-President of the Fidelity and a member of its executive committee.

"Mr. Siems before coming to the Fidelity as Vice-President was engaged in bank supervisory work for the Federal Reserve Board, and for many years examiner in charge of examination of Federal Reserve banks and foreign corporations chartered under the Federal Reserve Act."

The Liberty Trust Company of Cumberland, Md., announced on July 17 the sale of stock under its recapitalization plan had been oversubscribed. Reporting this the Baltimore "Sun" said:

"Present stockholders took up 8,374 shares of new stock, leaving 1,266 shares to be distributed among new subscribers and to old subscribers who wished to subscribe for more stock than their present holdings entitled them to.

Under the plan 10,000 shares of $20-par-value stock were first offered to the present stockholders, share for share, at $25 per share.

The Towson National Bank of Towson, Md., is expanding its capital from $100,000 to $150,000 by increasing the number of shares from 10,000 to 15,000 of $10 par value, H. Guy Campbell, President of the bank announced on July 5, it is learned from the Baltimore "Sun," from which we also quote:

"The increase was voted by stockholders to enable the bank to keep its capital structure in proper ratio to its steadily increasing deposits, Mr. Campbell said.

"Assets of the bank stood at $5,793,925 last December as against $3,016,211 two years earlier. Deposits in the same period advanced from $2,799,083 to $5,548,721, and loans and discounts rose from $797,557 to $1,005,437."

The transfer of $750,000 to the surplus account of the Riggs National Bank of Washington, D. C., has been authorized by the directors, President Robert V. Fleming reported on July 10, it was made known by S. Oliver Goodman in the Washington "Post" of July 11. From these advices we also quote: "Together with $250,000 added to surplus last January, this brings the bank's surplus account to $5,750,000 and 'is in keeping with the bank's established policy of continuing to build up capital structure,' according to Mr. Fleming.

"Directors also voted regular quarterly dividends of $3 a share on capital stock, payable July 16 and October 15 to stockholders of record July 9 and September 30."

Henry J. Mergler, Vice-President of the Fifth-Third Union Trust Co., of Cincinnati, Ohio, died on July 9. In its July 10 issue the "Cincinnati Enquirer" said:

"Mr. Mergler, who was 63 years old, had served the Fifth-Third since 1903, when he was employed as a clerk by the Union Savings Bank & Trust Co., predecessor of the present institution. Advancing to Assistant Treasurer and then Secretary, Mr. Mergler was elected Vice-President in January, 1934.

"A Past President of the American Institute of Banking, the educational division of the American Bankers Association, Mr. Mergler was for many years an instructor of the Cincinnati chapter of the Institute."

The Cynthiana State Bank, Cynthiana, Ind., became a member of the Federal Reserve System July 19. The new member was organized in 1905. It has a capital of $30,000, surplus of $13,000 and total resources of $714,492. Its officers are: Ray B. Hollis, President; W. O. Boren, Cashier and Trust Officer.

The Mercantile - Commerce Bank and Trust Company, St. Louis, recently announced the election of Thomas W. Pettus to the bank's board of directors. Mr. Pettus is President of the National Bearing Division—American Brake Shoe Company, with which he has been associated since 1928. A graduate of Princeton University in the class of 1927, Mr. Pettus is a native St. Louisan and has held various positions with National Bearing, including that of Sales Manager Vice-President and Executive Vice-President before becoming President.

Retirement of $60,000 of the preferred stock held by the Reconstruction Finance Corporation was announced by Merle E. Robertson, President of Liberty National Bank & Trust Company, of Louisville, Ky., on July 9, according to Donald McWain, financial editor of the Louisville "Courier Journal"; advices continued:

"This reduced RFC's holdings of Liberty preferred from $750,000 to $690,000, which is represented by 27,600 shares of $25 par value stock.

"Coincident with this retirement directors of the bank declared a stock dividend on common stock by increasing the 60,000 shares of common from a par value of $15 to a par value of $16. This increases the capital represented by common stock from $900,000 to $960,000.

"Capitalization of the bank now includes preferred stock, $690,000; common stock, $960,000, and surplus, $960,000, for a total of $2,610,000. Pushing capital funds past $3,000,000 are undivided profits and a reserve for contingencies, Mr. Robertson said."

The board of directors of the United States Trust Company, of Louisville, Ky., on July 19 elected A. B. Comstock President of the institution on motion of Bethel B. Veech, retiring President. Mr. Comstock was elevated from his position as Vice-President, according to the Louisville "Courier Journal," which further reported:

"The directors also chose Mr. Veech as Chairman of the board of directors and A. R. Landes as Treasurer.

"The meeting was the first since the choice the preceding day of Thurston Morton and Eli H. Brown, III, as new members of the board. They were elected at a stockholders' meeting."

The Bank of Sharon, Sharon, Tenn., became a member of the Federal Reserve System on July 20. In reporting this the Federal Reserve Bank of St. Louis said:

"The new member opened for business Dec. 1, 1902. It has a capital of $35,000, surplus of $25,000 and total resources of $1,316,958. Its officers are: R. H. Jackson, President; Lon Harkey, Vice-President; R. S. Moore, Cashier; R. S. Roberts and Harry Cornell, Assistant Cashiers.

In its July 15 issue the "Dallas Times-Herald" reported that Nathan Adams and E. L. Flippen were named directors of the Hillcrest State Bank of University Park and the American National Bank of Oak Cliff at their stockholders' meetings during that week, and that T. E. Jackson was also elected a director of the Hillcrest State Bank. The advices further said:

"The American National Bank and the Hillcrest State Bank are now affiliates of the First National Bank in Dallas. In commenting on this affiliation, E. L. Flippen, President of the First National Bank in Dallas, said: 'These two rapidly growing suburban banks were acquired in order to better serve the business interests, and the people, in their respective sections of Dallas. We feel that the association of these two banks with the First National will not only benefit the individuals and businesses they serve, but will help to build a greater Dallas, as suburban banks play no small part in the increasing financial importance of our city.'

"Cooper E. Wyatt, President of both the Hillcrest and American National, stated that 'Our affiliation with the First in Dallas will enlarge materially our score of operations, while continuing to maintain the individuality of each unit bank.' "

The 75th anniversary of the Seattle-First National Bank of Seattle, Wash., has recently been observed. The Seattle "Post Intelligencer" of July 8, referring to the bank's development through the course of the years, from the time of its inception in 1870 as the Phillips-Horton & Company Bank, had the following to say in part:

"The Phillips-Horton and Company Bank, which grew through successive changes and mergers into the Dexter Horton National Bank and finally into the Seattle-First National Bank, will celebrate the 75th anniversary of its founding this week.

"The bank opened its doors for business June 16, 1870, in a one-story frame building, 20 feet by 40 feet, on the corner of what is now 1st Ave. S. and Washington St.

"In the beginning Dexter Horton and David Phillips were storekeepers. They got in the habit of hiding money in their store for customers who had no place to leave cash in bankless Seattle. Usually they hid the money in a coffee barrel. Then they bought a safe and finally opened a bank, the first in the Pacific Northwest.

"Still an active account on the bank's books is that of the Frauenthal Brothers, early day merchants, who made their first deposit on the day the bank opened. The Frauenthal brothers are long since dead but the holdings they left are being administered by their nephew, J. H. Neuberger, a Seattle-First National Bank Vice-President.

"In 1872 Phillips dropped out of the firm, selling his interest to Arthur A. Denny, and the institution became known as Dexter Horton and Company.

"Seventeen years later the big fire which swept Seattle destroyed the building in which the bank began, but, like the rest of the burned-out town, the bank was rebuilt.

"Now, with 35 offices throughout the State, the bank has its main office at 2d Ave. and Cherry St., only a few blocks from its original site.

"High point of the week-long anniversary celebration will be a reception, to which Seattle's pioneers have been invited, in the bank tomorrow night. G. N. Latimer, whose father, N. H. Latimer, was the bank's President when it celebrated its 50th anniversary, is in charge of arrangements for the reception."

A. W. Winden, who last month became President of the Tacoma Savings & Loan Association, Tacoma, Washington when Alfred Lister died, and who has been prominent in northwest banking circles since 1909, died on June 24 according to Associated Press advices which added:

"Mr. Winden had been with the company since he came here in 1909. He was a past President of the Northwest Conference of Savings and Loan Associations, a member of the committee on loan procedure of the United States Savings and Loan League, Vice-Chairman of the League's committee for social security, and a member of the League's state section committee."

The Royal Bank of Canada announced on July 19 the appointments of A. F. Mayne as supervisor of foreign branches and C. B. Clark as assistant supervisors of banking arrangements. Both Mr. Clark and Mr. Mayne have been connected with various branches of the bank for many years.

The Directors of Westminster Bank Limited of London have declared an interim dividend of 9% for the half year ended 30th June, 1945, on the £4 shares, and the maximum dividend of 6¼% on the stock for the same period. The dividends (less income tax) will be payable on the 1st of August to those shareholders and stockholders whose names were registered in the books of the company on the 30th of June, last.

The Directors of the Midland Bank Limited announce an interim dividend for the half year ended June 30, last, at the rate of 8% actual less income tax, which was payable on July 16. The same rate of dividend was declared a year ago.

The death of Sir Harry Goschen, former Chairman of the British Bankers Association, on July 7, at Harlow, Essex, was reported in Associated Press advices from London July 9. He was 78 years of age. In the New York "Herald Tribune" of July 10 it was stated:

"Sir Harry was born William Henry Neville Goschen, in Addington, Surrey, but when he was knighted in 1920, he chose to be known as Sir Harry because there already was a Sir William Henry Goschen, a relative.

"He began his career in the office of his father's firm, Fruhling & Goschen, and soon became a partner in the firm of Goschen & Cunliffe. He was made a director of the chartered Bank of India, Australia and China, and of the National Provincial Bank. He became Chairman of the London Clearing House in 1918 and received the Order of the British Empire. He received a baronetcy in 1927."

Life Ins. Owned by Americans at New Peak

Life insurance owned by American families reached a new peak at mid-year, with an estimated $153,000,000,000 in force, it was reported on July 20 by the Institute of Life Insurance. This is an increase of $9,000,000,000 over the previous mid-year and $29,000,000,000 greater than the total in force at the outbreak of the war. These figures said the Institute do not include the National Service Life Insurance written on the men and women in the armed forces.

"This is a striking illustration of the extent to which the American people have increased their insurance protection while directing their greater wartime incomes into the channels of thrift and savings," Holgar J. Johnson, President of the Institute, said in commenting on the mid-year report. "They have made unprecedented purchases of War Bonds, holding about $44,000,000,000 at mid-year; they have increased savings deposits at a record pace to over $44,000,000,000 at mid-year; and they have increased their ownership of life insurance to a record amount. The net result is an important contribution to stabilization of the national economy for the war period and to the nation's fight against inflation." The Institute further says:

"Total life insurance company holdings of U. S. Government securities reached approximately $18,000,000,000 at mid-year, up $11,000,000,000 since Pearl Harbor. Life insurance company subscriptions in the Seventh War Loan Drive alone came to $3,200,000,000. At mid-year, total assets of all American life insurance companies were $42,500,000,000, guaranteeing the life insurance protection for 70,000,000 policyholders.

"Aggregate benefit payments to policyholders and beneficiaries in the first half of the year were approximately $1,370,000,000, which is $93,000,000 more than payments in the corresponding period of last year. The increase is due in large part to war death claims. Total death claims exceeded $670,000,000 in the half year, which compares with $614,014,000 in the first half of last year and $507,869,000 in the first half of pre-war 1941. Direct payments to living policyholders, exclusive of cash surrender payments, also increased in the first half of this year, aggregating $585,000,000 which is 15% over the corresponding period of pre-war 1941".

Truman Sends Bastille Day Message to French

The following is reported by the United Press from Washington, July 13, to be President Truman's message to the French people on Bastille Day, July 14, the French national holiday:

"In Bastille Day, the people of France have given the world an undying symbol of freedom. Throughout the long history of our friendship with France, the people of the United States have shared the principles for which it stands.

"Never have those principles had a greater significance than in this year of the final overthrow of one of the darkest tyrannies that has ever tried to enslave mankind."